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China's Trade with the United States and the World

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Summary

As imports from the People's Republic of China (PRC) have surged in recent years, posing a threat to some U.S. industries and manufacturing employment, Congress has begun to focus on not only access to the Chinese market and intellectual property rights (IPO) protection, but also the mounting U.S. trade deficit with China as well as allegations that China is selling its products on the international market at below cost (dumping), engaging in "currency manipulation," and exploiting its workers for economic gain. Members of the 109th Congress introduced several bills that would impose trade sanctions on China for intervening in the currency market or for engaging in other acts of unfair trade, while the Bush Administration has imposed anti-dumping duties and safeguards against some PRC products and pressured China to further revalue its currency and remove non-tariff trade barriers.

China runs a trade surplus with the world's three major economic centers—the United States, the European Union, and Japan. Since 2000, the United States has incurred its largest bilateral trade deficit with China ($201 billion in 2005, a 25% rise over 2004). In 2003, China replaced Mexico as the second largest source of imports for the United States. China's share of U.S. imports was 14.6% in 2005, although this proportion still falls short of Japan's 18% of the early 1990s. The United States is China's largest overseas market and second largest source of foreign direct investment on a cumulative basis. U.S. exports to China have been growing rapidly as well, although from a low base. In 2004, China replaced Germany and the United Kingdom to become the fourth largest market for U.S. goods and remains the fastest growing major U.S. export market. China is purchasing heavily from its Asian trading partners—particularly precision machinery, electronic components, and raw materials for manufacturing. China is running trade deficits with Taiwan and South Korea and has become a major buyer of goods from Japan and Southeast Asia.

In the past decade, the most dramatic increases in U.S. imports from China have been not in labor-intensive sectors but in some advanced technology sectors, such as office and data processing machines, telecommunications and sound equipment, and electrical machinery and appliances. China's exports to the United States are taking market share from other Pacific Rim countries, particularly the East Asian newly industrialized countries (NICS), which have moved most of their low-end production facilities to China.

This report provides a quantitative framework for policy considerations dealing with U.S. trade with China. It provides basic data and analysis of China's international trade with the United States and other countries. Since Chinese data differ considerably from those of its trading partners (because of how entrepot trade through Hong Kong is counted), data from both PRC sources and those of its trading partners are presented. Charts showing import trends by sector for the United States highlight China's growing market shares in many industries and also show import shares for Japan, Canada, Mexico, the European Union, and the Association for Southeast Asian Nations (ASEAN). This report will be updated bi-annually.

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U.S. trade with the People's Republic of China (PRC) has raised several policy concerns. The trade is highly unbalanced in China's favor with a U.S. deficit of $201 billion in 2005. Year-to-date (January-October 2006), the U.S. deficit reached $190 billion. Many associate this deficit with the concomitant loss of American jobs in industries competing with rapidly rising imports from China. Some policymakers as well as leaders of industry and labor blame China for unfair trade practices, including deliberately undervaluing its currency, which they claim create an uneven playing field for U.S. companies when competing against imports from the PRC. U.S.-China trade issues are often driven by larger policy objectives. U.S. trade with China is but one aspect of the overall U.S. policy of engagement with the PRC, a policy that serves broader U.S. interests. Trade also underpins Beijing's development strategy and contributes to domestic support for the PRC government.

This report presents data and analysis of China's trade that shed light on various policy issues, provides an overview of recent U.S. legislative initiatives, and examines the goals and constraints of U.S. trade policy toward the PRC. Some of the specific questions addressed are how the U.S. trade balance with China compares with those of the European Union and Japan, whether imports from China are merely replacing imports from other Pacific Rim nations, and how imports from China by industry compare with imports from other countries.

The Rationale for U.S. Policy and Initiatives

Allowing trade with China to develop is part of the overall U.S. strategy of engagement with the PRC. The rationale behind engagement is that working with China through economic, diplomatic, informational, and military interchanges helps the United States to achieve important national security goals such as preventing nuclear proliferation, defeating global terrorism, defusing regional conflicts, fostering global economic growth, and championing aspirations for human dignity.[1] These goals are aimed at achieving U.S. national interests of security and prosperity for all Americans and projecting U.S. values abroad.

U.S. trade policy toward China is based upon the assumption that trade between the two countries has both economic and political benefits: (1) in general, trade with China benefits both sides and allows for a more efficient allocation of available resources; (2) the rapidly developing Chinese economy affords a rare opportunity for U.S. businesses to become part of a huge and rapidly expanding market; (3) China's membership in the World Trade Organization (WTO) compels the PRC to comply with international trading rules and spurs the development of market forces in the country; and (4) foreign trade and investment create a dependency on exports, imports, and foreign investment and other interaction with the outside world in China, which in turn strengthen its relations with the Western world, create centers of power outside the Chinese Communist Party, and foster economic and social pressures for democracy; (5) a country as significant as China—accounting for a quarter of the world's population, armed with nuclear weapons, and a member of the U.N. Security Council—cannot be ignored or isolated. According to some experts, globalization and economic interests may be exerting a moderating influence on Beijing's policies toward protecting China's national security interests. However, the Chinese Communist Party's determination to maintain political legitimacy through economic growth also creates tensions with other countries and with emerging non-Party political actors.

The possible problems or challenges raised by the U.S. strategy of economic engagement with China include adjusting to economic competition in sectors where China has a comparative

[1] The White House, *The National Security Strategy of the United States of America* (March 2006), available at http://www.whitehouse.gov/nsc/nss/2006.

advantage, responding to PRC unfair trade practices, and the rise of an economically powerful China that is becoming more assertive in global affairs: (1) Imports from China may be entering in such increased quantities that they are a substantial cause of serious injury, or threat thereof, to competing U.S. industries;[2] (2) Imports from China may be dumped, subsidized, or unfairly aided by government entities in China, which still wield considerable influence in the economy;[3] (3) According to some economists and many policymakers, the U.S. trade deficit with the PRC stems in large part from Beijing's policy of maintaining an undervalued currency; (4) China has a poor record of adopting or enforcing internationally recognized standards for working conditions and environmental regulation which, in addition to violating human rights and harming the environment, may provide PRC businesses with unfair competitive advantages; and (5) U.S. economic engagement with China arguably contributes to the legitimacy of the socialist government and the strengthening of China's military by facilitating general economic development.

U.S. trade law and WTO regulations can deal with injury from imports and unfair trade practices. Trade disputes with China would normally be first discussed bilaterally before taking the case to the WTO for dispute resolution. China's alleged violations of international labor and environmental standards, as well as its own laws and government regulations, have fewer institutional remedies for the United States. Policy options include working to improve China's compliance through bilateral consultations and technical assistance, international organizations (such as the International Labor Organization), non-governmental organizations, and multilateral treaties (such as the U.N. Framework Convention on Climate Change and Kyoto Protocol),[4] and the threat of trade sanctions.

Trade Policy Developments

In the past few years, the United States has taken numerous actions in response to PRC trade practices that is has deemed unfair while China taken some incremental steps to heed U.S. demands.[5]

- In December 2006, China hosted the first China-U.S. Strategic Economic Dialogue led by U.S. Treasury Secretary Henry Paulson and PRC Vice-Premier Wu Yi. Talks focused on the following issues: China's exchange rate flexibility, the bilateral trade imbalance, PRC intellectual property rights violations, energy, and the environment. The U.S. Treasury Department released a report on December 19, 2006, that did not refer to China as engaging in currency manipulation for the purpose of gaining a trade advantage.
- On January 13, 2006, the Bush Administration announced that it would apply the so-called military catch-all rule to items on the Commodity Control List which

[2] See Sections 201 to 204 of the Trade Act of 1974 (19 U.S.C. §§ 2251-2254).

[3] Unfair competition includes dumping (sales in the United States of an imported product at less than fair value), countervailable subsidies (excessive government subsidies of exporting industries) (see Subtitles A and B of Title VII of the Tariff Act of 1930, as added by the Trade Agreements Act of 1979 (19 U.S.C. §§ 1673 et seq.), and imports that infringe on intellectual property rights (see Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337).

[4] See CRS Report RL33602, *Global Climate Change: Major Scientific and Policy Issues*, by John R. Justus and Susan R. Fletcher.

[5] For further discussion of U.S. trade, U.S. -China trade, and U.S. trade policies toward China, see CRS Report RL33577, *U.S. International Trade: Trends and Forecasts*, by Dick K. Nanto, Shayerah Ilias, and J. Michael Donnelly; CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison; and CRS Report RL32165, *China's Currency: Economic Issues and Options for U.S. Trade Policy*, by Wayne M. Morrison and Marc Labonte.

could require licenses for the export of items to China that could be used to strengthen China's military power.

- On November 8, 2005, the United States Trade Representative (USTR) announced that the United States and China had, after three months of intense negotiations, reached a broad agreement on textile trade. The Agreement lasts through the life of the China WTO Textile Safeguard (through 2008), covers more than 30 individual products, and contains quotas that begin at low levels.[6]
- On July 21, 2005, the PRC government announced that its currency, the yuan, would be revalued upward (from 8.3 yuan to 8.11 yuan to the U.S. dollar) and that its future value would be "referenced" to a basket of currencies. However, according to most experts, China's central bank continues to intervene in the currency market in order to maintain a stable exchange rate.[7]
- In May 2005, the Bush Administration imposed "safeguard" quotas on 16 categories of Chinese apparel in response to a surge in such imports following the lifting of textiles and apparel quotas worldwide in January 2005.
- In December 2004, the U.S. government imposed anti-dumping duties on imported Chinese bedroom furniture. This case, the largest anti-dumping action against China, reportedly has both supporters and opponents in the U.S. furniture industry.[8]
- In September 2004, the U.S. government rejected a Section 301 (Trade Act of 1974) complaint filed by the China Currency Coalition alleging that China's fixed exchange rate constituted currency manipulation. In November 2004, the Administration rejected a similar petition filed by Members of Congress, while continuing to press and advise China on revaluing or floating its currency.
- In April 2004, the Bush Administration rejected a Section 301 petition filed by the AFL-CIO alleging unfair trade practices based upon exploitation of labor in the PRC and calling for a tariff of up to 77% on goods imported from China. In July 2006, the USTR rejected another, similar Section 301 petition filed by the AFL-CIO.
- In March 2004, the Bush Administration filed the United States' first complaint against China under the WTO's dispute settlement mechanism, charging that the PRC unfairly taxed imported semiconductors.[9] In July 2004, China eliminated the tax breaks for domestically-produced semi-conductors.

Congressional Actions

On December 15, 2006, Representative Sander Levin, who is to chair the House Ways and Means Trade Subcommittee in the 110th Congress, declared that he would support policies that would address what many regard as China's unfair trade advantage, gained largely through the PRC government's manipulation of the value of its currency. These measures include legislation that

[6] Office of the United States Trade Representative. "USTR Portman Announces US-China Broad Textile Agreement." USTR Press Release, November 8, 2005.

[7] The yuan can fluctuate within a band of 0.3% per day. The exchange rate as of December 2006 was 7.8 yuan to 1.0 U.S. dollar.

[8] Doug Palmer, "U.S. Sets Duty of up to 198 Pct on Chinese Furniture," *Reuters News*, November 9, 2004.

[9] Chris Buckley, "China on Unfamiliar Ground in Trade Fight with U.S.," *New York Times*, March 23, 2004.

would impose countervailing duties against non-market economies such as China's and the filing of a Section 301 petition requesting the Administration to file a WTO case against China. Senator Max Baucus, incoming Chairman of the Senate Finance Committee, stated that "greater flexibility for China's currency is long overdue."[10]

In the 109th Congress, several bills aimed at reducing the U.S. trade imbalance with the PRC were introduced. These bills addressed issues such as China's currency practices, other alleged unfair trade practices (including dumping and export subsidies), violation of intellectual property rights, and non-compliance with WTO regulations. The following are selected bills from the 109th Congress related to U.S.-China trade:

- **H.R. 4808** (Jones: Introduced February 28, 2006) To prohibit the importation of motor vehicles of the PRC until the tariff rates that China imposes on motor vehicles of the United States are equal to the rates of duty applicable to motor vehicles of the PRC.
- **S. 2267** (Dorgan/Graham: Introduced February 9, 2006) To withdraw normal trade relations treatment from, and apply certain provisions of Title IV of the Trade Act of 1974 to, the products of the People's Republic of China. Related bill: **H.R. 728** (Sanders).
- **H.R. 3283** (English: Introduced July 14, 2005) Amends the Tariff Act of 1930 to impose countervailing duties on certain merchandise from nonmarket economy countries. Passed in the House on July 27, 2005. Related bill: **S. 1421** (Collins).
- **H.R. 1498** (Ryan: Introduced April 6, 2006) To clarify that exchange-rate manipulation by the People's Republic of China is actionable under the countervailing duty provisions and the product-specific safeguard mechanisms of the trade laws of the United States.
- **S. 377** (Lieberman: Introduced February 15, 2005) To require negotiation and appropriate action with respect to certain countries that engage in currency manipulation.
- **S. 295** (Schumer/Graham: Introduced February 3, 2005) To authorize the imposition of a 27.5% tariff on goods imported from China unless the President certifies that China has made a good faith effort to revalue its currency to reflect its fair market value. Related bills: **S. 14** (Stabenow), **H.R. 1575** (Myrick), **S.Amdt. 309** (Schumer) to **S. 600**.
- **H.Con.Res. 33** (Ryan: Introduced January 26, 2005) Urging the President to take immediate steps to establish a plan to adopt the recommendations of the United States-China Economic and Security Review Commission in its 2004 Report to the Congress in order to correct the current imbalance in the bilateral trade and economic relationship between the United States and China.

Summary of Trade Data

What light do the trade data shed on the controversy over economic relations with China? First, China has burst onto the U.S. trading scene in recent years. In 2003, the PRC surpassed Japan to

[10] "Levin Says Bernanke Comments Justify CVD Action Against China," *Inside US-China Trade*, December 20, 2005; Doug Palmer, "U.S. Lawmakers Urge Action after China Meeting," *Washington Post*, December 15, 2006.

become America's third largest trading partner, after Canada and Mexico,[11] while the United States is the PRC's second largest trading partner, after the expanded European Union (25 nations).[12] In 2005, according to PRC data, EU-China trade was valued at $217.3 billion compared to U.S.-China trade of $211.6 billion.[13] China's largest export market is the United States followed by the EU-25 and Japan. Although China is a new player in international trade, it is taking major shares of markets once dominated either by other countries and U.S. domestic industries.

China is the second largest source of U.S. imports of merchandise ($243 billion in 2005) after Canada ($287 billion). PRC imports surpassed those of Mexico in 2003 and of Japan in 2002. China now accounts for over 14% of U.S. imports (2005), up from 12% in 2003, 8% in 1999, and 3% in 1990, although this share still falls short of Japan's 18% in the early 1990s.

Second, the data show that while U.S. trade with China is unbalanced, the same is also true for Europe and Japan, although to a lesser extent. China runs a trade surplus with the world's three major economic centers. The U.S. bilateral deficit in 2005 ($201 billion), however, was 1.6 times larger than that of the EU-15 ($121.8 billion; the EU-25 deficit was $133 billion) and seven times that of Japan ($28.5 billion). (As reported by the United States, EU, and Japan.)

Third, the data show that the U.S. trade deficit with China is rising with the overall U.S. trade deficit or growing at a slightly faster rate. Between 1996 and 1998, China's share of the overall U.S. merchandise trade deficit averaged 24%; between 1999 and 2001, China's share was 18%, and between 2002 and 2004, 22%. In 2005, the United States trade deficit with China constituted 26% of its global trade deficit. Over the same period, the shares of the U.S. deficit in goods trade accounted for by Japan, the Association of Southeast Asian Nations (ASEAN), and the East Asian newly industrialized countries (NICs) have decreased while the European Union's share has increased.

Fourth, the data show that U.S. exports to China are growing faster than U.S. exports to other nations. U.S. exports to China (up 157% between 2000 and 2005) have grown faster than U.S. exports to Canada (up 19.8% over the same period), Mexico (7.5%), and Japan (-15%), although exports to China have grown from a low base.[14] In 2004, China replaced Germany and the United Kingdom to become the 4th largest market for U.S. goods, moving up from 11th place in 1999. The United States exported somewhat more to China ($41.8 billion) than it did to the United Kingdom ($38.6 billion) in 2005. According to Japanese, European, and Korean data, in 2005, Japan was the largest overseas supplier of products to China with $79.9 billion in exports. South Korea and the EU-15 and were the second and third largest exporters to China in 2005 with $69.8 billion and $61.9 billion in exports, respectively.[15]

Fifth, the U.S. industrial sectors most at risk from import competition from China are generally labor intensive, but China is moving quickly up the technology ladder. The sectors in which the United States runs the largest trade deficits are generally those that depend on abundant and low-cost labor, while the United States accrues surpluses with China in some advanced technology items, such as aircraft, as well as in some agricultural products. In China's trade with the

[11] In 2005, U.S.-China trade ($285 billion) nearly reached the value of U.S.-Mexico trade ($290 billion). U.S. Census Bureau, *Foreign Trade Statistics*.

[12] "EU Becomes China's Biggest Trading Partner—USDA Attache," *Reuters News*, February 25, 2005.

[13] PRC data. "China 2005 Trade Surplus Jumps to Record High," *Yahoo! Asia News*, January 11, 2006.

[14] U.S. Department of Commerce, International Trade Commission.

[15] *Global Trade Atlas*; "Economy Increasingly Dependent on Mainland Ties," *Nikkei Weekly*, June 14, 2004.

developed countries, over two-thirds of its exports are "low-end manufactures"—appliances, toys, furniture, footwear, apparel, and plastic goods—while 85% of its imports are capital-intensive machinery and equipment, electronic goods, and natural resource-related products.[16]

The United States has incurred large trade deficits with China in some high value-added sectors as well. These sectors include office and data processing machines, telecommunications and sound equipment, and electrical machinery and appliances. In 2003, China became the third largest car market and the fourth largest maker of automobiles with an output of 4.4 million vehicles. Production of cars reached an estimated 5.5 million units in 2005, putting the PRC on par with Germany in automobile production. However, China is not a major global importer or exporter of cars and it remains heavily reliant upon foreign technology in this sector.[17]

Sixth, PRC data show much smaller bilateral trade deficits than those claimed by its trading partners. PRC trade data differ from U.S. data primarily because of the treatment of products from or to China (mainland) that pass through the Hong Kong Special Administrative Region (SAR). Other reasons include different accounting systems and a lack of transparency in China's data reporting. China counts Hong Kong as the destination of its exports sent there, even goods that are then transshipped to other markets. By contrast, the United States and many of China's other trading partners count Chinese exports that are transshipped through Hong Kong as products from China,[18] not Hong Kong, including goods that contain Hong Kong components or involve final assembly or processing in Hong Kong. Furthermore, the United States counts Hong Kong as the destination of U.S. products sent there, even those that are then re-exported to China. However, the PRC counts many of such re-exported goods as U.S. exports to China. Some analysts argue that the U.S. Department of Commerce overstates the U.S. trade deficit with China by as much as 21% because of the way that it calculates entrepot trade through Hong Kong.[19]

According to PRC data, China's trade surplus with the United States in 2005 was $114 billion—not $201 billion as reported by the United States government. In Japan's case, both countries claim to be running trade deficits with each other. According to PRC data, in 2005, China ran deficits with many of its major trading partners, including Taiwan ($57.9 billion), South Korea ($41.7 billion), Japan ($16.3 billion), Malaysia ($9.5 billion), Saudi Arabia ($8.4 billion), Philippines ($8 billion), Thailand ($6 billion), Australia ($5 billion), Brazil ($5 billion) Iran ($3.5 billion).[20]

Seventh, some trade specialists suggest that the surge of U.S. imports from China do not pose an additional threat to U.S. industries and workers because it merely represents a shift of investment and production from other Pacific Rim countries. China's share of U.S. imports has been rising while those of other Pacific Rim nations have been falling or holding steady. In terms of absolute values, until recently, U.S. imports from all major Pacific Rim countries continued to rise, although at slower rates than imports from China. In 2005, U.S. imports from the East Asian NICS—South Korea, Taiwan, Hong Kong, and Singapore—fell or barely rose from the previous year.

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[16] Jonathan Anderson, "China, Asia's Paper Tiger?" *The Asian Wall Street Journal*, August 15, 2002.

[17] "China to Become 2nd Largest Automaker by 2010," *Asia Times Online* http://www.atimes.com, August 25, 2005; *Xinhua News Agency*, April 11, 2005.

[18] According to the Hong Kong Trade Development Council, 55% of Hong Kong's total exports involve re-exports of Chinese (mainland) goods to markets other than China.

[19] U.S.-China Business Council, "Understanding the U.S.-China Balance of Trade," May 2003.

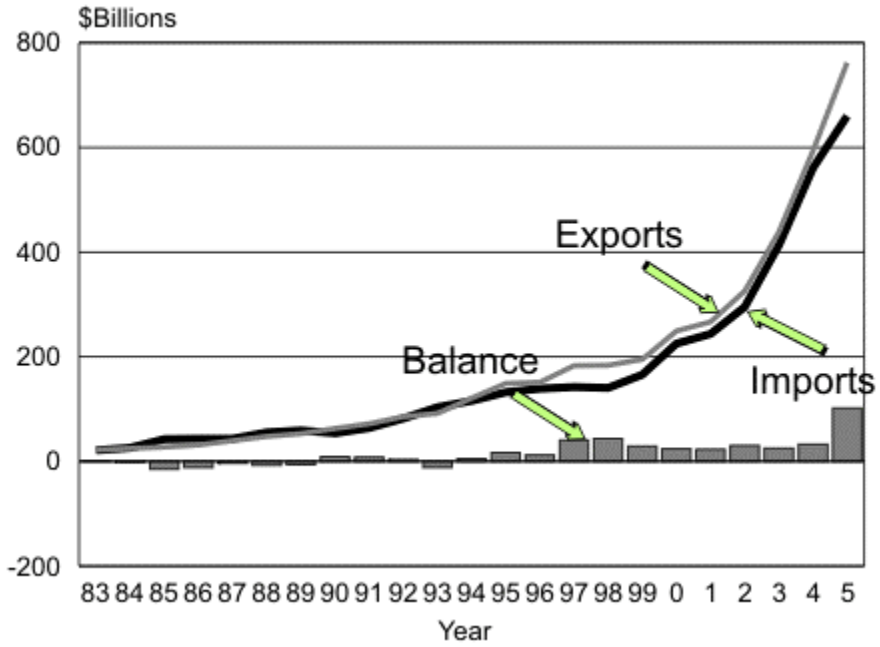
[20] *Global Trade Atlas*.

Eighth, the rapid growth of the Chinese economy is adding to world demand for basic commodities that is causing upward pressure on world prices. Particularly significant are Chinese net imports of crude oil, copper, and soybeans.

China's Trade Balance and Imports

As shown in **Figure 1** and **Appendix Table A-1**, according to PRC data, with the exception of 1993, China has run a global trade surplus in goods each year since 1990. That surplus emerged at the beginning of the 1990s, entered into a deficit of $11 billion in 1993 (when the government temporarily loosened controls on imports), and reached a peak of $43.3 billion in 1998 before declining to $22.6 billion in 2001. In 2005, China's global trade surplus leapt to $102 billion (PRC data).

Figure 1. China's Exports, Imports, and Balance of Merchandise Trade, 1983-2005 (PRC data)



Sources: PRC General Administration of Customs; Global Trade Atlas (PRC data).

Between 1995 and 2001, China's current account surplus (includes trade in goods, services, and unilateral transfers such as remittances and government to government payments) was smaller than its surplus in merchandise trade because of a deficit in its services trade. Since 2002, the current account surplus has exceeded the merchandise trade surplus due to large increases in services exports and remittances. In 2005, the current account surplus was $160.8 billion compared to the merchandise trade surplus of $102 billion. According to one projection, China's global current account balance will remain in surplus "for some years to come," due to continued high rates of foreign investment, strong exports, and excessive savings in the non-state sector.[21]

As mentioned in the previous section, PRC data show much smaller bilateral trade deficits than those claimed by its trading partners. In 2005, the United States claimed it had incurred a $201

[21] Global Insight, "China: Interim Forecast Analysis," June 2006, and "China: Economic: Current Situation: Highlights," August 2006.

billion trade deficit with China, while China reported a trade surplus of only $114 billion with the United States. Japan reported a $28.5 billion merchandise trade deficit with China, while China likewise claimed a $16.3 billion trade deficit with Japan. In 2005, the European Union's trade deficit with China ($121.8 billion) was only $63 billion according to Chinese data. In 2005, the 156 countries categorized as the "world" by the International Monetary Fund reported an aggregate trade deficit with China of $342 billion. This is approximately 3.3 times the $102 billion global merchandise trade deficit reported by China for that year.[22] (See **Appendix Tables A1-A5**.)

Not only have the surge in imports from China affected U.S. markets, but China has become a major importer of world commodities or primary goods. **Table 1** shows China's imports by major commodity. Imports of machinery (including electrical) have soared from a total of $63.1 billion in 1999 to $271.3 billion in 2005. Such an increase in demand for machinery, however, has only a moderate effect on overall prices. China's imports of mineral fuel, organic chemicals, iron and steel, ores, copper, cotton, and wood, however, can affect world prices, particularly when combined with rising world demand or tightening supplies. In 2004-2005, Chinese demand for mineral fuel, in particular, including crude petroleum added to upward world price pressures.

Table 1. China's Imports by Major Commodity, 1999-2005

(billions of dollars)

	1999	2000	2001	2002	2003	2004	2005
Electrical Machinery	35.3	50.7	55.9	73.3	104.0	142.1	174.9
Machinery	27.8	34.4	40.6	52.2	71.6	91.5	96.4
Mineral Fuel, Oil, etc.	8.9	20.7	17.5	19.3	29.3	48.0	64.2
Optics, Medical. Instr.	5.0	7.3	9.8	13.5	25.1	40.1	49.9
Plastic	11.6	14.5	15.3	17.4	21.0	28.0	33.3
Organic Chemicals	5.5	8.3	9.0	11.2	16.0	23.8	28.0
Iron and Steel	7.2	9.6	10.9	13.2	22.2	23.6	26.2
Ores, Slag, Ash	2.2	3.1	4.2	4.3	7.2	17.3	25.9
Copper & Articles Thereof	3.1	4.7	4.9	5.7	7.2	10.5	12.9
Vehicles, Not Railway	2.4	3.6	4.5	6.5	11.8	12.9	12.2
Misc. Grain, Seeds, Fruit	1.6	3.1	3.3	2.8	5.7	7.3	8.1
Cotton and Yarn, Fabric	2.4	2.8	2.9	3.3	4.7	6.9	7.0
Aircraft, Spacecraft	3.2	2.2	4.4	4.1	4.5	4.9	6.6
Paper, Paperboard	1.6	2.6	2.7	2.9	3.9	5.2	6.3
Misc. Chemical Products	2.2	2.5	2.6	3.8	4.9	5.1	6.0
Wood, Articles of Wood	2.9	3.7	3.5	4.1	4.6	5.2	5.7

Source: *Global Trade Atlas* using Chinese data.

[22] U.S. Department of Commerce, International Trade Commission; Global Trade Atlas; International Monetary Fund, *Direction of Trade Statistics Quarterly*, June 2006.

China and the Asia Pacific Region

While China is gaining manufacturing prowess and its trade surplus with the United States is spiraling, the country is purchasing heavily from neighboring trading partners. In 2004, China's imports rose by 35%, including machinery, raw materials, and components for manufacturing, although this growth in imports slowed to 17% in 2005.[23] In addition, the bulk of China's exports are manufactured under foreign brand names, and over half of China's exports are produced by foreign-owned companies. According to PRC official estimates, 70% of PRC exports to the United States contain foreign components, particularly from Taiwan, South Korea, and Singapore.[24]

China (not including Hong Kong) has become the largest trading partner of Taiwan and the second largest trading partner of Japan. The PRC has become South Korea's largest foreign investment destination and largest export market. According to Taiwanese and Korean data, in 2005, Taiwan's estimated trade surplus with China was $31.9 billion, while South Korea's surplus was $31.2 billion.[25]

China has become a huge buyer of raw materials, agricultural commodities, industrial machinery, and electronic components from Southeast Asia, as well as an important source of foreign investment and second largest source of foreign tourists in the region.[26] China's top exports to Southeast Asia include machinery, electronic goods, iron and steel, mineral fuels, textiles and apparel, and optical, photographic, and medical equipment. Despite worries about economic competition, in 2004, ASEAN, which ran a trade surplus of $20 billion with China that year (PRC data),[27] agreed to establish a free trade zone with China which would be implemented gradually over five years.[28] In the view of many of its major trading partners in Asia, China's economic growth and open trade policies have presented both competitive challenges and economic opportunities. However, according to some analysts, China's appetite for imports is slowing, while its export production shows little sign of abating.[29] Although ASEAN accumulated a trade surplus with China again in 2005 ($19.5 billion, according to PRC data), China's exports to ASEAN grew 50% faster than its imports from Southeast Asia.

[23] Robert J. Samuelson, "The World's Powerhouse," *Newsweek*, May 31, 2004.

[24] Taiwan's major exports to China include telecommunications products, computers, plastic products, steel, man-made fibers, industrial-use textiles, organic chemical products, optical and photo-taking instruments and parts, copper products, and polyester. Hong Kong Trade Development Council.

[25] When Hong Kong is included, China is the largest trading partner of both Taiwan and Japan. Directorate General of Customs, Ministry of Finance, Republic of China; Korean International Trade Association; *Global Trade Atlas*.

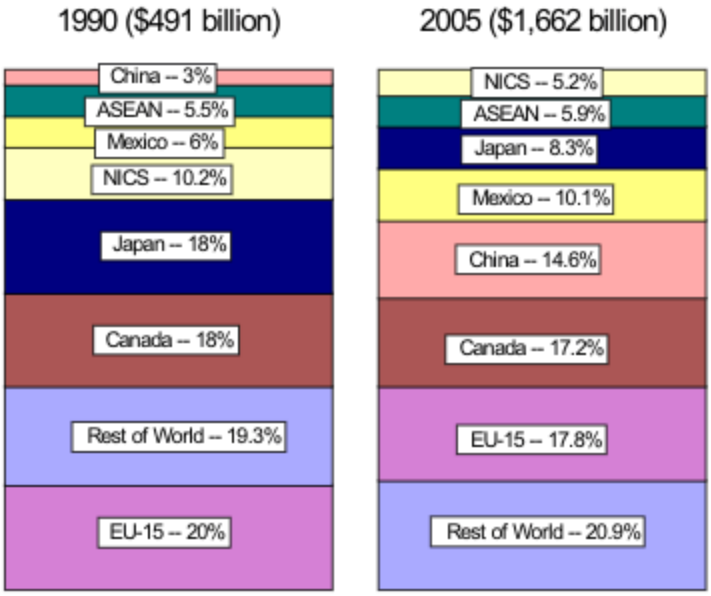
[26] Sadanand Dhume, "Buying Fast into Southeast Asia," *Far Eastern Economic Review*, March 28, 2002.

[27] *Global Trade Atlas.*

[28] "China-ASEAN Trade Surges over 40 Percent in 2003," *Thai News Service*, February 11, 2004.

[29] Keith Bradsher and David Barboza, "As Exports Boom, China Risks Global Backlash," *International Herald Tribune*, April 9, 2005.

Figure 2. Shares of Total U.S. Imports by Country and Country Group, 1990 and 2005



Some trade specialists suggest that the surge of U.S. imports from China do not pose an additional threat to U.S. industries and workers because it merely represents a shift of investment and production from other Pacific Rim countries. In other words, expanding imports from China have been offset by declining imports from other East Asian or Pacific Rim countries.[30] These countries include those at a similar level of development which are competing directly with China, such as Malaysia and Thailand, and more industrialized countries or special administrative regions that have moved their lower-end production to the PRC, such as Macao, Hong Kong, South Korea, and Taiwan. In sectors such as footwear, handbags, apparel, furniture, and building and lighting fixtures, U.S. imports from China have been displacing those from Hong Kong, South Korea, Taiwan, and Mexico and reducing imports those from other developing Asian nations.

As shown in **Figure 2**, China's share of U.S. imports grew from 3% in 1990 to 14% in 2005 (out of total U.S. imports of $491 billion and $1.66 trillion, respectively),[31] while the rest of East Asia's share (Japan, NICS,[32] and ASEAN) fell from 36% to 19%. Mexico's share of U.S. imports grew from 6% in 1990 to 11.6% in 2002. It fell to 10.6% in 2004 and further to 10.1% in 2005.

[30] Council of Economic Advisors, *Economic Report of the President*, February 2004.

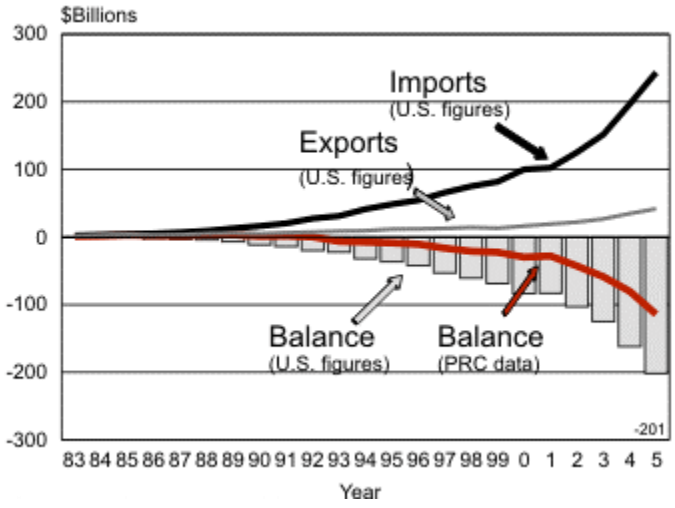
[31] U.S. Imports for Consumption, U.S. International Trade Commission.

[32] NICS—Hong Kong, Taiwan, and South Korea (Singapore is counted in ASEAN).

China's Trade with the United States, Europe, and Japan

As shown in **Figure 3** and **Appendix Table A-2**, by either Chinese or U.S. data, China runs a trade surplus with the United States. Although Chinese figures show it at only $114 billion in 2005, the United States reports it to be $201 billion. According to PRC data, China has run a trade surplus with the United States since 1993. According to U.S. data, the United States has incurred trade deficits with China since 1983.

Figure 3. U.S. Exports, Imports, and Balance of Trade with China, 1983-2005

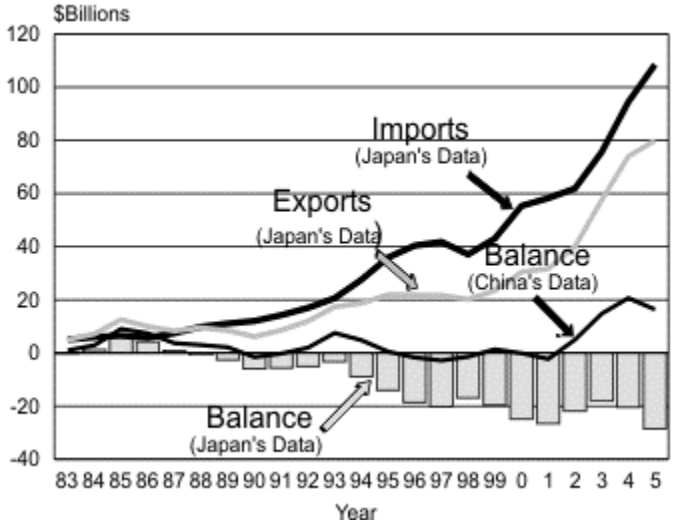


Sources: U.S. Department of Commerce. IMF. *Direction of Trade Statistics Yearbook*. Global Trade Atlas.

As is the case with the United States, Japan has run a trade deficit with China since the 1980s (according to Japanese data). As shown in **Figure 4** and in **Appendix Table A-3,** Japan's balance of trade with China dropped from a surplus of $6 billion in 1985 to a deficit of nearly $6 billion in 1990. Japan's trade deficit with China reached a peak of $26.5 billion in 2001, which was surpassed in 2005 ($28.5 billion). Japan's exports to China have grown dramatically in the past few years, its largest exports to the PRC being electronics, general machinery, iron and steel, optical, photographic, and medical equipment, and organic chemicals.[33]

[33] *Global Trade Atlas.*

Figure 4. Japan's Merchandise Imports, Exports, and Balance of Trade with China, 1983-2005

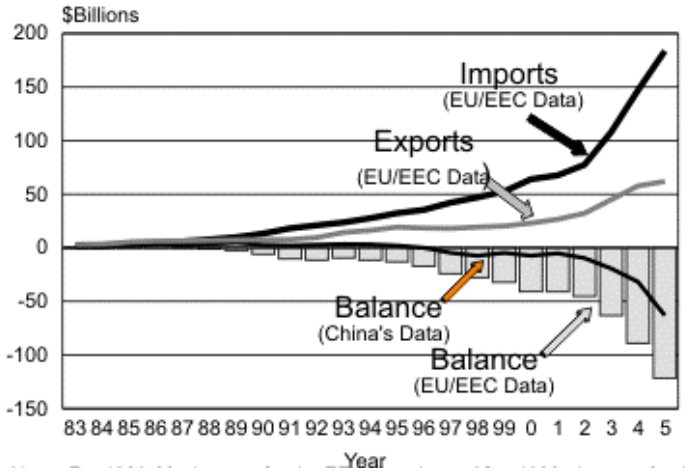


Sources: IMF. Direction of Trade Statistics Quarterly. Global Trade Atlas.

As shown in **Figure 5** and **Appendix Table A-4**, according to EU data, the European Union incurred a trade deficit with China of $947 million in 1988, which grew to $121.8 billion in 2005. According to Chinese figures, however, the EU trade deficit with China began in the late 1990s and grew to $63 billion in 2005.

Compared to the world's two other major economic centers, the U.S. trade deficit with China at $201 billion in 2005 was the largest, followed by the EU-15 deficit with China at $121.8 billion and Japan at $28.5 billion. Within the EU, according to trading partner 2005 data, Germany's trade deficit with China was $23 billion, the U.K.'s was $18.8 billion, and France's was $9.9 billion. As shown in **Appendix Table A-5**, however, China's trade statistics indicate smaller European trade deficits or even surpluses.

Figure 5. European Union Merchandise Imports, Exports, and Balance of Trade with China, 1983-2005



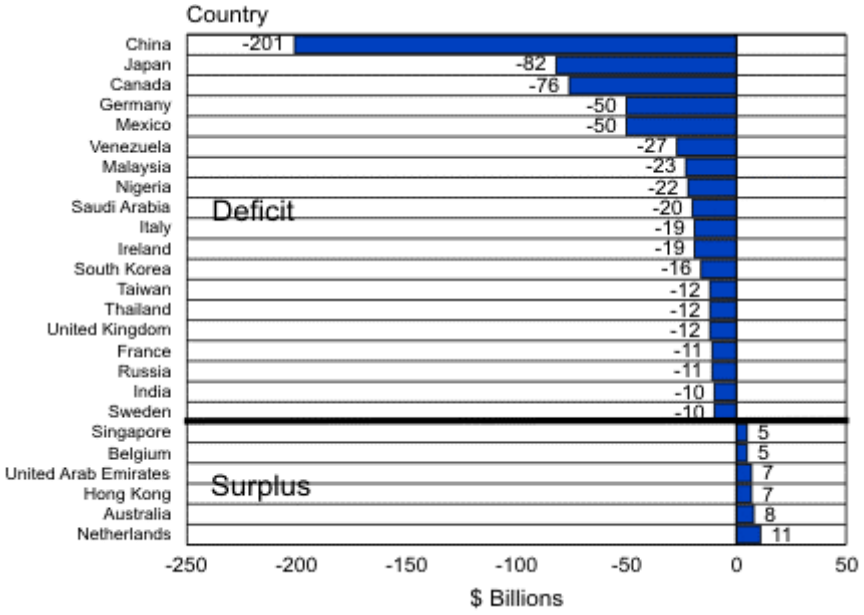
Sources: IMF. *Direction of Trade Statistics Quarterly*. Global Trade Atlas.

Note: For 1980-88, data are for the EEC12 nations. After 1988, data are for the EU15.

U.S. Merchandise Trade Balances with Major Trading Partners

The U.S. trade deficit with China is notable for not only its size but also the large imbalance between imports from and exports to China. In 2005, Japan exported 2.5 times more to the United States than it imported, while Canada and Mexico exported 1.3 times and 1.4 times more, respectively, than they imported. China, by comparison, exported 5.8 times more to the U.S. market in 2005 than it imported from the United States. This indicates that the Chinese market has been vastly underdeveloped as a destination for U.S. exports.

Figure 6. U.S. Merchandise Trade Balances with Selected Countries in 2005



Source: U.S. Department of Commerce

U.S. Trade with China by Sector

U.S. Exports to China

As shown in **Table 2**, among the top twenty U.S. exports to China in 2005, the top five by dollar value were electrical machinery, transport equipment, metalliferous ores, oil seeds and fruits, and general industrial machinery. Exports of metalliferous ores and oil seeds and fruits have grown by over 12 times and 6 times, respectively, since 1999, suggesting that China's appetite for raw materials and agricultural commodities has grown relative to that for general industrial machinery and office machines. Among the top 20 U.S. export items to China, textile fibers have experienced the largest growth in the past five years (969%). China's top ten imports from the world in 2005 were: electrical machinery, machinery, mineral fuels, optical and medical instruments, plastics, organic chemicals, iron and steel, iron ores, copper articles, and vehicles.

Table 2. Top Twenty U.S. Exports to China, 1997-2005

(millions of dollars)

Category	1997	1998	1999	2000	2001	2002	2003	2004	2005
Electrical Mach.	741	1,013	1,380	1,747	2,109	2,657	3,722	4,631	5,170
Transport Equip.	2,127	3,604	2,325	1,695	2,471	3,443	2,495	2,025	4,479
Metalliferous Ores	180	195	285	618	919	956	1,525	2,198	3,482
Oil Seeds and Fruits	419	288	354	1,020	1,014	890	2,832	2,332	2,256
Gen. Ind. Mach./Equip.	766	674	685	838	1,080	1,145	1,404	1,912	2,067
Office Machines	343	878	842	1,498	1,602	1,193	1,274	1,396	1,835
Plastics in Prim. Forms	340	320	394	545	628	740	931	1,342	1,793
Prof. & Scientific Instr.	429	527	538	583	886	931	1,167	1,568	1,710
Textile Fibers	682	199	98	154	160	278	909	1,638	1,657
Organic Chemicals	208	212	302	473	373	554	1,054	1,542	1,457
Specialized Industrial Machinery	770	538	481	758	819	1,124	1,218	1,744	1,325
Telecom, Sound Recording Equip.	644	655	573	817	1,204	1,110	978	1,104	1,299
Power Gen. Equip.	603	542	505	312	507	462	640	965	1,042
Pulp and Waste Paper	148	156	193	276	330	414	600	753	992
Road Vehicles	348	140	192	185	223	272	506	624	903
Nonferrous Metals	172	120	140	289	144	161	315	333	872
Misc. Manufactures	297	247	242	384	440	509	515	647	750
Hides, Furskins	112	126	96	237	402	397	457	521	629
Chemical Materials	124	143	177	247	285	312	403	582	604
Metalworking Mach.	173	190	162	211	265	367	304	618	547

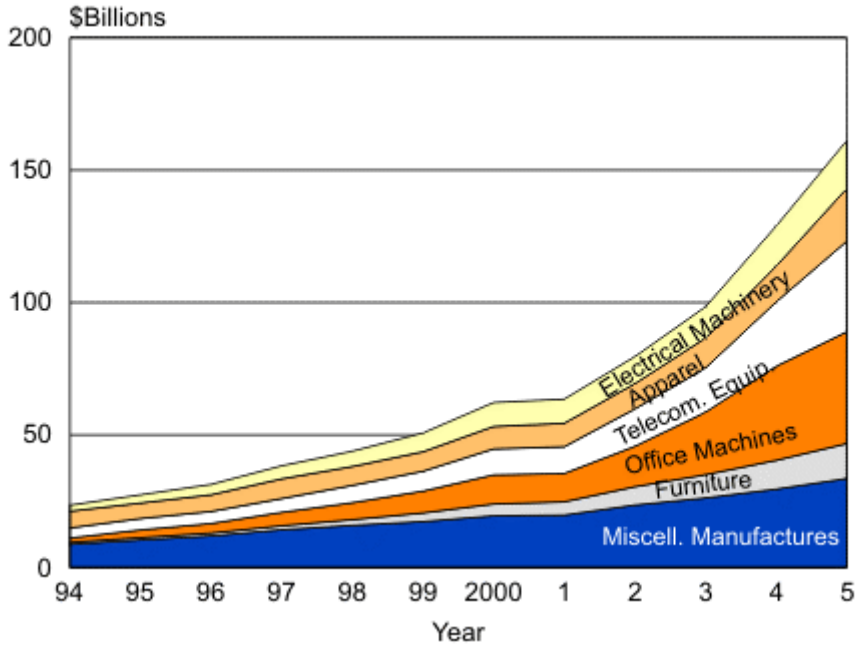
Source: U.S. Department of Commerce, International Trade Commission.

Note: Ranked by data for 2005.

U.S. Imports from China

As shown in **Figure 7** and **Table 3**, among the top twenty U.S. imports from China in 2005 by dollar amount, the top six were office machines and automatic data processing machines, telecommunications and sound equipment, miscellaneous manufactured articles, apparel and accessories, electrical machinery, and furniture and bedding. The value of U.S.-imports of PRC office and data processing machines alone ($42.2 billion) exceeded total U.S. exports to China in 2005 ($41.8 billion). While U.S. imports in all these categories have increased, the most dramatic percentage changes have been not in traditional labor-intensive industries but in sectors that encompass advanced technology, such as office and data processing machines (up 284% between 2000 and 2005), telecommunications and sound equipment (245%), and general industrial machinery (234%).

Figure 7. Top Six Imports from China by Industry, 1994-2005



Source: U.S. Department of Commerce

Table 3. Top Twenty U.S. Imports from China, 1997-2005

(millions of dollars)

Category	1997	1998	1999	2000	2001	2002	2003	2004	2005
Office Machines, Data Processing	5,019	6,329	8,239	10,980	10,763	15,230	23,646	35,620	42,242
Telecom and Sound Equip.	5,126	6,405	7,382	9,812	10,118	14,144	16,937	24,388	34,249
Misc. Manufactured Articles	14,155	15,872	17,291	19,445	19,763	23,494	26,287	29,505	33,573
Apparel and Accessories	7,406	7,133	7,351	8,473	8,866	9,538	11,381	13,607	19,931
Electrical Machinery, Parts, and Appliances	4,877	5,707	7,022	9,037	9,110	10,217	11,875	15,270	18,102
Furniture and Bedding	1,545	2,183	3,261	4,476	5,018	6,954	8,749	10,910	13,187
Footwear	7,354	8,016	8,438	9,206	9,758	10,241	10,546	11,350	12,721
Manufactures of Metals	1,816	2,238	2,878	3,651	4,119	5,219	6,302	8,257	10,110
General Industrial Machinery	1,180	1,449	1,833	2,087	2,414	3,259	41,213	5,528	7,007
Textile Yarn, Fabrics	1,369	1,432	1,583	1,816	1,854	2,501	3,365	4,253	5,605
Travel Goods, Handbags	1,917	1,942	1,974	2,214	2,171	2,741	3,319	4,044	4,658
Road Vehicles	574	731	923	1,800	1,406	1,796	2,373	3,265	4,170
Building Fixtures/Fittings	1,194	1,444	2,073	2,555	2,377	2,962	3,202	3,700	4,143
Nonmetallic Mineral Manufactures	1,216	1,441	1,681	2,059	2,165	2,431	2,624	2,953	3,510
Professional & Scientific Instruments	634	715	837	1,025	1,177	1,301	1,666	2,180	2,490
Iron and Steel	314	398	349	623	439	441	483	1,609	2,354
Photographic Optical Equip, Watches, Clocks	1,211	1,400	1,600	2,016	1,935	1,842	2,030	2,248	2,176
Misc. Low-Valued Items	282	425	586	759	784	957	1,229	1,652	2,068
Cork and Wood (Non-Furniture)	335	445	568	710	792	990	1,162	1,612	2,006
Organic Chemicals	335	337	392	467	488	564	772	1,071	1,600
Power Generating Machinery	314	354	408	505	553	694	842	1,112	1,573
Paper Products	310	401	471	611	627	792	1,022	1,263	1,535

Source: U.S. Department of Commerce, International Trade Commission.

Note: Ranked by data for 2005.

Balance of Trade by Sector

In modern economies, trade by sector generally follows two patterns. The first is based on traditional comparative advantage in which one country trades with another in those products in which it has an abundance of resources or in which it is comparatively productive. The United States economy is characterized by high technology, extensive farmland with high agricultural yields, expensive labor, and deep capital. As such, the United States would be expected to be strong in exports of high-technology goods, food and grains, and capital intensive products. The Chinese economy, on the other hand, is characterized by abundant and cheap labor, low capital intensity, and a mix of low, medium and high technology both in manufacturing and agriculture. As such, China would be expected to be strong in exports of not only labor-intensive manufactures, such as textiles and apparel, shoes, toys, and light manufactures, but also items produced under the tutelage of foreign companies that have invested in Chinese factories. These could include household appliances, electronics, tools, or automobile parts. One would expect trade that is conducted on the basis of comparative advantage to be unbalanced on a sector-by-sector basis. The United States, for example, would run a surplus with China in aircraft but a deficit in apparel.

The second trade pattern occurs among industrialized countries and is called intra-industry or trade within industrial sectors. This is typical of trade among North America, the European Union, and industrialized nations of Asia (e.g., Japan, South Korea, and Taiwan). The products traded usually carry brand names, are differentiated, and may be protected by intellectual property rights. For example, the United States both imports and exports items such as automobiles, machinery, electronic devices, prepared food, and pharmaceuticals. A considerable share of U.S. intra-industry trade is carried out within a multinational corporation (e.g., between Ford Motors and one of its related companies, such as Mazda in Japan, Jaguar in the United Kingdom, or with other subsidiaries abroad). A large deficit in an intra-industry trading sector in which the United States is competitive may indicate that the trading partner country is using import barriers to tip the trade balance in its favor.

Table 4 shows the U.S. balance of trade with China by major sector. Most of the sectors in which the United States runs the largest trade deficits with China are, as expected, those that depend on mostly abundant and low-cost labor. These include toys and sports equipment, furniture and bedding, footwear, textiles and apparel, and leather goods. Among the large deficit sectors, however, are machinery and mechanical appliances and electrical machinery, which reflect China's foreign investment and growing technological sophistication. In plastic articles, optical and medical instruments, books and magazines (indicated by shading in the table), the United States runs a surplus in its balance of trade with the world but a deficit with China.

Table 4. U.S. Balance of Trade with China by Sector, 2003-2005

(millions of dollars)

	2003	2004	2005
Total China	-123,960	161,977	201,625
Major U.S. Deficit Sectors (HTS Categories)			
Machinery/Mechanical Appliances	-25,262	-37,628	-46,375
Electrical Machinery	-24,007	-34,113	-46,249
Toys and Sports Equipment	-16,070	-17,163	-19,074
Furniture and Bedding	-11,739	-14,339	-16,942

	2003	2004	2005
Footwear	-10,528	-11,318	-12,679
Woven Apparel	-5,484	-6,606	-10,220
Knit Apparel	-3,192	-4,092	-6,553
Leather Art; Saddlery; Bags	-5,040	-5,708	-6,247
Articles of Iron and Steel	-3,086	-4,376	-5,886
Plastic Articles	*-3,032*	*-3,402*	*-4,380*
Misc. Textile Articles	-2,353	-3,052	-3,953
Vehicles, Not Railway	-1,947	-2,729	-3,268
Misc. Art of Base Metal	-1,414	-1,809	-2,243
Precious Stones and Metals, Pearls	-1,391	-1,714	-2,065
Wood and Articles of Wood	-1,019	-1,454	-1,847
Tools, Cutlery, of Base Metals	-1,373	-1,554	-1,774
Optical, Medical Instruments	*-1,650*	*-1,704*	*-1,729*
Rubber and Rubber Articles	-698	-1,036	-1,551
Miscellaneous Manufactures	-1,023	-1,203	-1,404
Ceramic Products	-1,112	-1,203	-1,316
Artificial Flowers, Feathers	-1,091	-1,109	-1,145
Books, Newspapers, Manuscripts	*-653*	*-892*	*-1,130*
Major U.S. Surplus Sectors (HTS Categories)			
Aircraft, Spacecraft	2,388	1,870	4,296
Misc. Grain, Seed, Fruit	2,787	2,260	2,165
Cotton and Cotton Fabrics	587	1,260	1,215
Wood pulp, Etc.	599	752	990
Hides and Skins	477	527	624
Copper and Articles Thereof	436	344	545
Ores	34	105	373
Iron and Steel	879	45	336

Source: U.S. Department of Commerce, International Trade Commission.

Note: Categories in italics are those in which the United States runs a trade surplus with the world but a trade deficit with China. Classification is by Harmonized System tariff codes at the 2-digit level.

The sectors in which the United States runs a trade surplus with China mirror U.S. competitive advantages and include aircraft, agricultural products, and cotton fabrics. In 2005, U.S. trade surpluses with China in aircraft, copper, iron ores, and iron and steel rose dramatically.

U.S. Imports From China—Sector Charts and Data

This section presents charts and data on U.S. imports from China by selected industrial sectors. The charts show imports from China as compared with imports from other major exporting countries or groups of countries. These include the European Union (fifteen original countries),

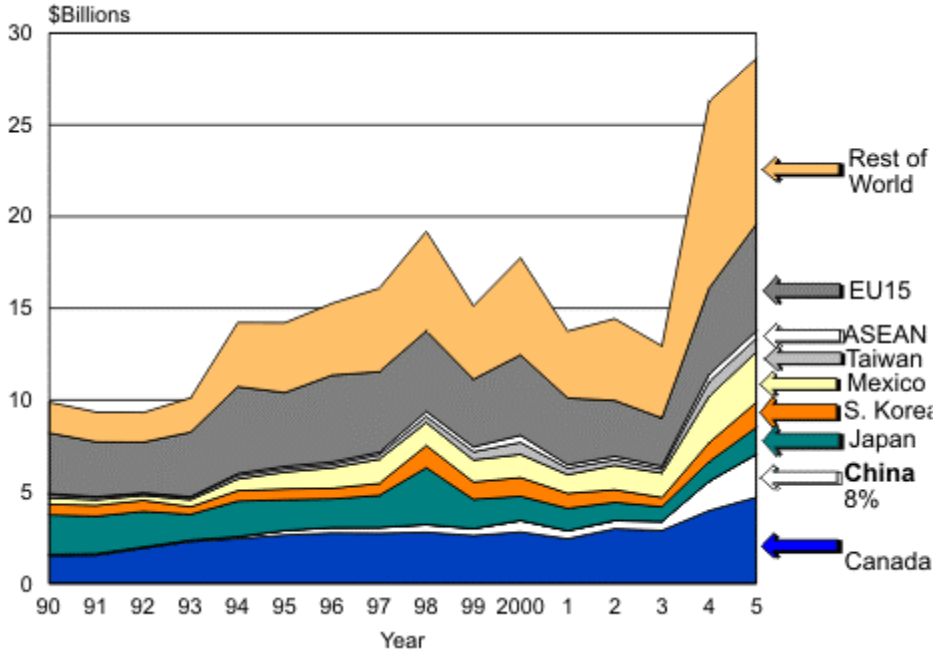
the Association of Southeast Asian Nations (ASEAN, which includes, Indonesia, Malaysia, Singapore, Thailand, the Philippines, Brunei, Vietnam, Laos, and Myanmar [Burma]), Taiwan, Mexico, South Korea, Japan, Hong Kong, and Canada.

The data in this section are presented according to two-digit standard international trade classification (SITC) codes as reported by the U.S. Department of Commerce. The industries selected are those in which the share of imports from China has risen to a significant level or trade policy has played a significant role (e.g. iron and steel and automobiles) even though U.S. imports from China in those industries might be relatively small.

Iron and Steel

In iron and steel products, China is becoming a major exporter to the United States. In 2005, China was the fourth largest foreign supplier of iron and steel products to the United States (surpassing Russia, South Korea, Germany, and Japan), up from seventh place in 2003. In 2005, China also bought $445 million worth of iron and steel products from the United States, making it the third largest market for U.S. exports of iron and steel. In 2005, the United States incurred a trade deficit with China in the SITC 67 category (iron and steel), which includes semi-finished products, tubes and pipes, iron and steel rods, and ferroalloys. However, the United States attained a trade surplus with China in the HTS 72 category (iron and steel), which includes more items in "primary form."

Figure 8. U.S. Imports of Iron and Steel Products (SITC 67) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 5. U.S. Imports of Iron and Steel Products (SITC 67) from Selected Countries and Country Groups, 1991, 2000-2005

(millions of dollars)

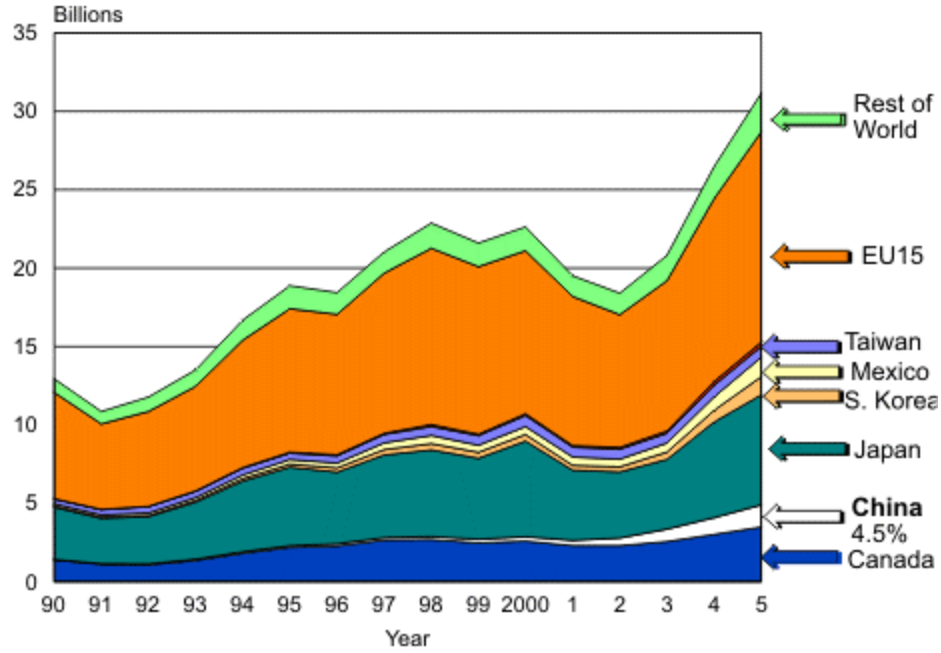
	1990	2001	2002	2003	2004	2005
EU15	3,303	3,637	3,041	2,621	4,697	5,828
Canada	1,504	2,437	2,981	2,885	3,979	4,699
Mexico	357	1,021	1,340	1,334	2,530	2,738
China	71	439	441	490	1,610	2,340
Japan	2,097	1,213	991	799	1,072	1,468
Korea	574	815	687	505	1,031	1,374
Taiwan	154	346	290	219	803	735
ASEAN	65	191	193	161	395	406
Hong Kong	2	2	3	2	3	10
Rest of World	1,691	3,657	4,469	3,929	10,204	9,034
World	9,818	13,758	14,436	12,945	26,324	28,632

Source: U.S. Department of Commerce

Specialized Industrial Machinery

China is becoming an important supplier of specialized industrial machinery, which includes machine tools and sewing machines, but lags behind the European Union, Japan, and Canada and competes with other newly industrialized countries such as Mexico, South Korea, and Taiwan. China accounted for only 4.5% of U.S. imports in this category in 2005.

Figure 9. U.S. Imports of Specialized Industrial Machinery (SITC 72) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 6. U.S. Imports of Specialized Industrial Machinery (SITC 72) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

	1990	2001	2002	2003	2004	2005
EU15	6,786	9,511	8,463	9,586	11,656	13,419
Japan	3,340	4,479	4,217	4,445	6,105	7,019
Canada	1,384	2,297	2,294	2,556	3,010	3,482
China	23	331	485	791	1,069	1,415
Mexico	139	537	490	578	862	1,241
Korea	69	305	325	467	746	1,159
Taiwan	313	626	638	623	730	684
ASEAN	13	101	113	145	250	287
Hong Kong	18	12	17	15	18	17
Rest of World	868	1,314	1,373	1,614	2,049	2,464
World	12,953	19,513	18,415	20,820	26,495	31,187

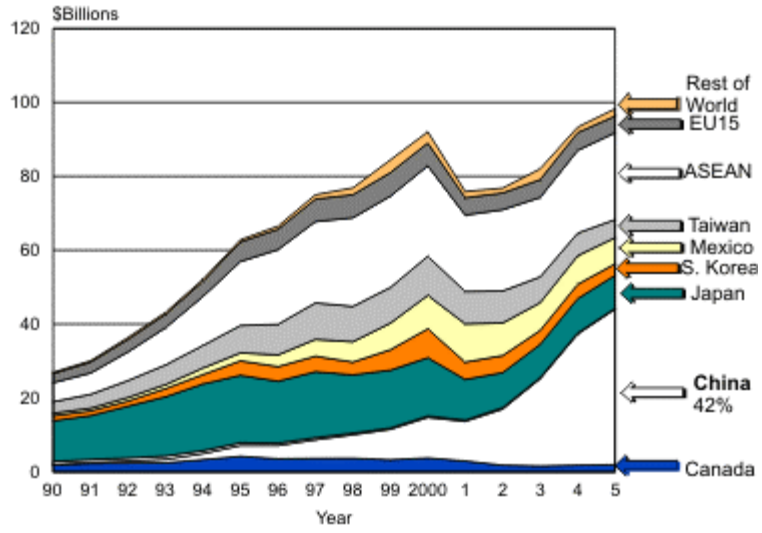
Source: U.S. Department of Commerce

Office Machines and Computers

In U.S. imports of office machines and automatic data processing machines (including television sets, computers and computer hardware), China has quickly become the largest supplier,

surpassing ASEAN. Imports of such products from China rose by over 75% between 2003 and 2005 and now account for 42% of U.S. imports in this category. Office machines and computers from other East Asian countries—Japan, Taiwan, and South Korea—have been leveling off or decreasing, although many of their high tech manufacturers have built plants in China and export from there. The top exporters of office machines and data processing machines to the United States in 2005 were China, Malaysia, Japan, Mexico, and Singapore.

Figure 10. U.S. Imports of Office Machines and Automatic Data Processing Machines (SITC 75) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 7. U.S. Imports of Office Machines and Automatic Data Processing Machines (SITC 75) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

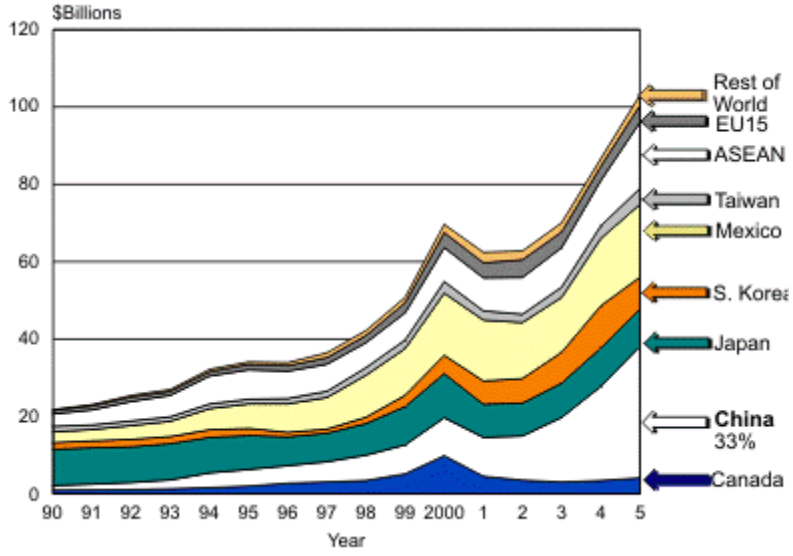
	1990	2001	2002	2003	2004	2005
China	117	10,761	15,230	23,612	35,579	42,169
ASEAN	5,150	20,676	22,043	21,571	22,460	23,473
Japan	11,007	11,055	9,464	8,978	9,282	8,936
Mexico	706	10,377	8,828	7,516	7,726	7,075
Taiwan	3,084	8,751	8,659	6,996	6,132	4,879
EU15	2,461	4,676	4,505	4,815	4,810	4,516
Korea	1,347	4,657	4,632	3,779	3,885	3,104
Canada	1,893	2,942	1,825	1,644	1,865	1,966
Hong Kong	809	276	392	328	304	210
Rest of World	297	1,729	1,342	2,947	1,492	2,015
World	26,871	75,900	76,920	80,542	93,535	98,343

Source: U.S. Department of Commerce

Telecommunications and Sound Equipment

China's share of U.S. imports of telecommunications and sound equipment has risen to 33%. Such imports from China rose from $1.1 billion in 1990 to $34 billion in 2005. Imports of these products from elsewhere in Asia, particularly from ASEAN countries, have also been rising rapidly. The largest suppliers of telecommunications and sound equipment to the United States in 2005 were China, Mexico, Malaysia, Japan, and South Korea.

Figure 11. Imports of Telecommunications and Sound Equipment (SITC 76) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 8. U.S. Imports of Telecommunications and Sound Equipment (SITC 76) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

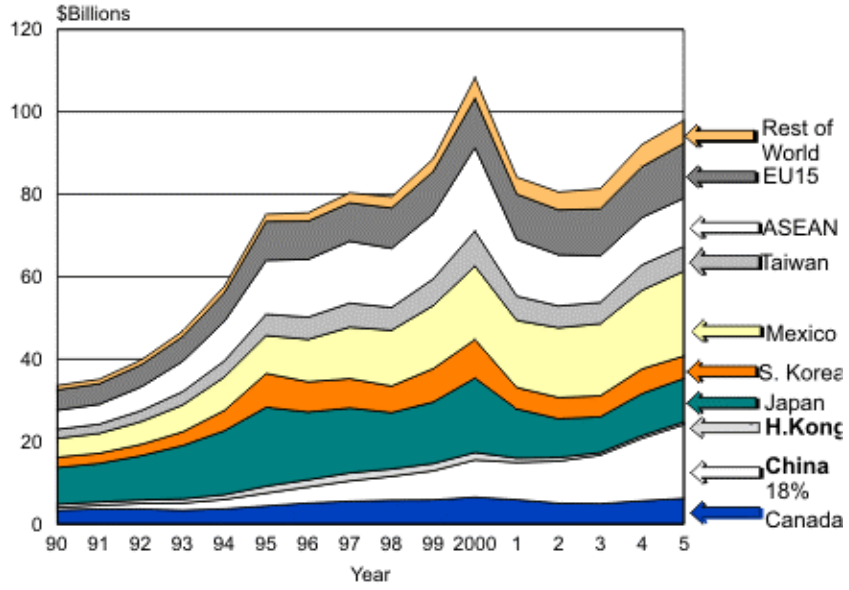
	1990	2001	2002	2003	2004	2005
China	1,142	10,062	14,144	16,723	24,311	34,140
Mexico	2,302	15,765	14,483	14,239	17,475	18,840
ASEAN	3,122	8,548	9,514	10,218	11,779	17,114
Korea	1,632	6,001	6,353	7,955	10,942	8,214
Japan	9,061	8,577	8,473	8,889	9,967	9,707
EU15	890	3,883	4,559	4,051	3,707	4,382
Canada	972	4,533	3,543	3,053	3,435	4,103
Taiwan	1,426	2,361	2,137	2,655	3,261	4,125
Hong Kong	478	224	357	522	647	672
Rest of World	322	2,446	2,264	2,363	1,941	2,637
World	21,347	62,400	65,827	70,668	87,465	103,934

Source: U.S. Department of Commerce

Electrical Machinery and Parts

U.S. imports of electrical machinery and parts (including semi-conductors) have been growing dramatically from nearly all major suppliers. At 18% of such imports in 2005, China has become a significant supplier—surpassing the EU, Japan, and ASEAN. Mexico remains the leading foreign supplier.

Figure 12. U.S. Imports of Electrical Machinery and Parts (SITC 77) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 9. U.S. Imports of Electrical Machinery and Parts (SITC 77) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

	1990	2001	2002	2003	2004	2005
Mexico	4,406	16,290	16,930	17,547	19,120	20,671
China	652	9,047	10,217	11,808	15,197	17,980
EU15	4,898	11,009	10,881	11,462	12,314	13,360
ASEAN	4,644	13,748	12,427	11,308	11,557	11,736
Japan	8,658	11,941	9,406	8,713	10,251	10,665
Canada	3,323	5,871	5,025	4,920	5,619	6,210
Taiwan	2,180	5,878	5,296	5,160	6,170	6,077
Korea	2,504	5,194	5,150	5,105	5,992	5,437
Hong Kong	792	1,050	881	585	637	593
Rest of World	1,080	4,112	4,359	4,916	5,414	5,560
World	33,137	84,140	80,572	81,524	92,271	98,289

Source: U.S. Department of Commerce

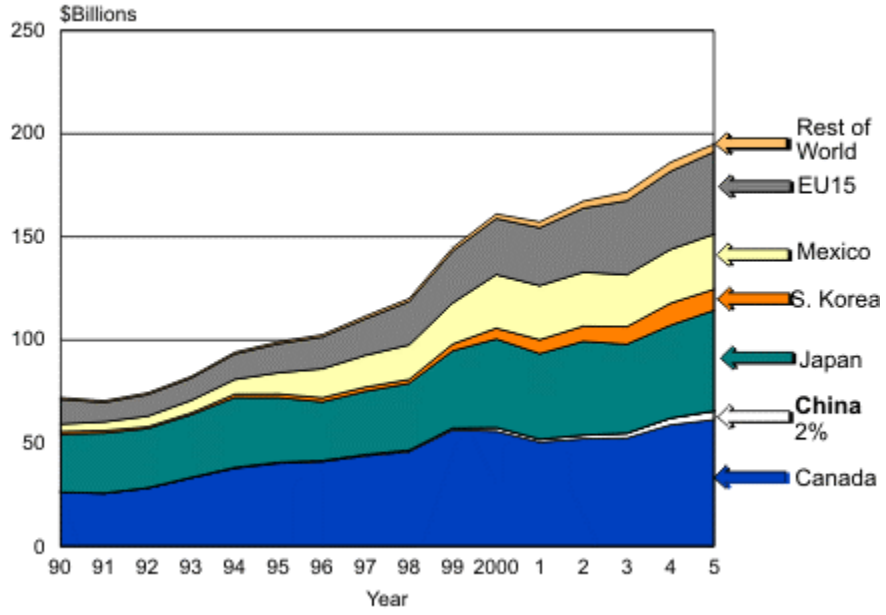
Road Motor Vehicles

China is the world's third largest auto market and fourth largest auto producer. China's automobile sector has absorbed heavy foreign investment—roughly 70% of the country's car market is held by Chinese-foreign joint ventures such as Shanghai General Motors (GM), Shanghai Volkswagen, and First Auto Works-Toyota—and is aimed primarily at Chinese buyers.[34] China became a net exporter of vehicles for the first time in 2005, with exports of 172,800 vehicles and imports of 161,900 units. Most of China's vehicle exports are sold in Middle Eastern, North African, and South American countries. In addition, China has become a major supplier of motorcycles to Southeast Asia. Chinese auto makers Geely and Chery reportedly have plans to begin exporting passenger cars to the United States in 2007 or 2008.[35]

Currently, China is not a significant player in the U.S. car market. U.S. road vehicle and related imports from China mainly consist of auto parts, bicycles and motorcycles, and specialty vehicles such as golf carts and beach go-carts. China has become an important supplier of auto parts to the United States, with $2 billion in selected auto parts in 2005, but trails Canada ($11.8 billion), Japan ($8.8 billion), Mexico ($7.7 billion), and Germany ($2.3 billion). China exported $290 million worth of motorcycles to the United States in 2005, accounting for 8% of U.S. motorcycle imports compared to Japan's 73%.

China is expected to continue to lower tariffs on imported automobiles, to 25% in 2006, pursuant to China's WTO accession agreement, although many non-tariff barriers reportedly remain.[36]

Figure 13. U.S. Imports of Road Motor Vehicles (SITC 78) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

[34] In 2005, GM sold more than 650,000 vehicles in China compared to Volkswagen, with sales of 500,000 cars, and Toyota, with 179,000 units. "Toyota in China: Full Speed Ahead," *BusinessWeek Online*, March 9, 2006.

[35] "Chinese Automaker Geely Sets Sights on Exports to U.S." *Associated Press Newswires*, January 11, 2006.

[36] "MOC: Tariff Cut to Put Little Effect on Imported Car Price next Year," *Xinhua News Agency*, December 19, 2005.

Table 10. U.S. Imports of Road Motor Vehicles (SITC 78) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

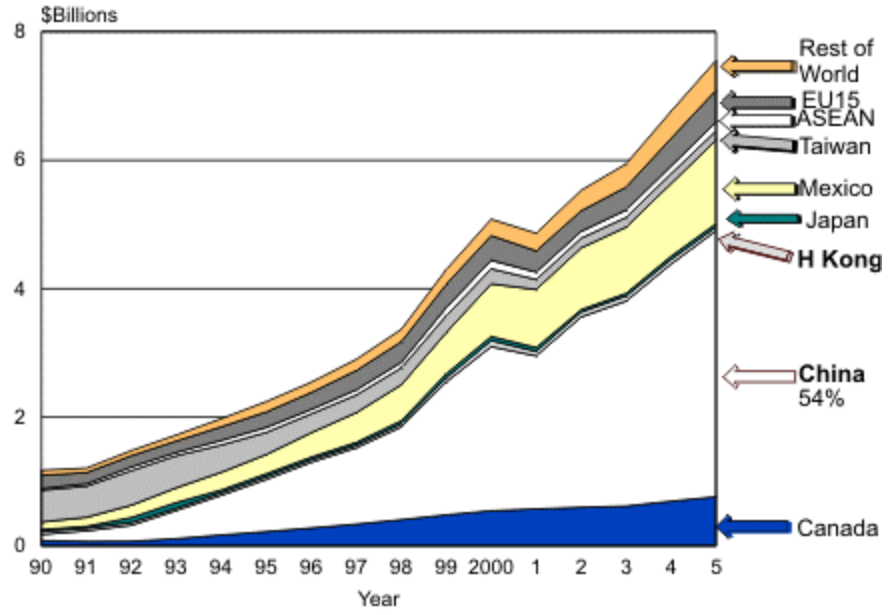
	1990	2001	2002	2003	2004	2005
Canada	26,094	50,477	52,050	52,448	58,832	61,332
Japan	29,839	41,429	45,449	43,178	45,033	48,867
EU15	12,270	28,022	31,043	35,975	37,813	39,958
Mexico	4,084	26,246	26,181	25,222	26,114	26,744
Korea	1,275	6,778	7,382	8,503	10,773	10,187
China	59	1,404	1,796	2,369	3,267	4,198
Taiwan	871	1,124	1,239	1,387	1,522	1,804
ASEAN	88	247	280	297	359	432
Hong Kong	7	13	14	38	43	39
Rest of World	930	2,892	3,338	4,271	4,412	3,853
World	75,517	158,632	168,772	173,688	188,168	197,414

Source: U.S. Department of Commerce

Building and Lighting Products

In U.S. imports of prefabricated buildings, sanitary, plumbing, heating and lighting fixtures and fittings, China has surged to become a main factor. The PRC accounted for over half such imports in 2005, although total imports of such products from China amounted to only $4 billion, making it the 13th largest U.S. import from China.

Figure 14. U.S. Imports of Building and Lighting Products (SITC 81) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 11. U.S. Imports of Prefabricated Buildings, Sanitary, Plumbing, Heating and Lighting Fixtures and Fittings (SITC 81) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

	1990	2001	2002	2003	2004	2005
China	94	2,383	2,962	3,199	3,697	4,146
Mexico	117	903	961	1,036	1,132	1,300
Canada	80	572	598	617	693	762
EU15	205	329	319	356	428	497
Taiwan	495	156	152	151	154	142
ASEAN	27	116	106	115	121	137
Hong Kong	47	70	77	80	73	59
Japan	28	59	36	41	49	52
Korea	61	32	36	42	37	37
Rest of World	78	275	319	362	422	464
World	1,232	4,895	5,566	5,999	6,806	7,596

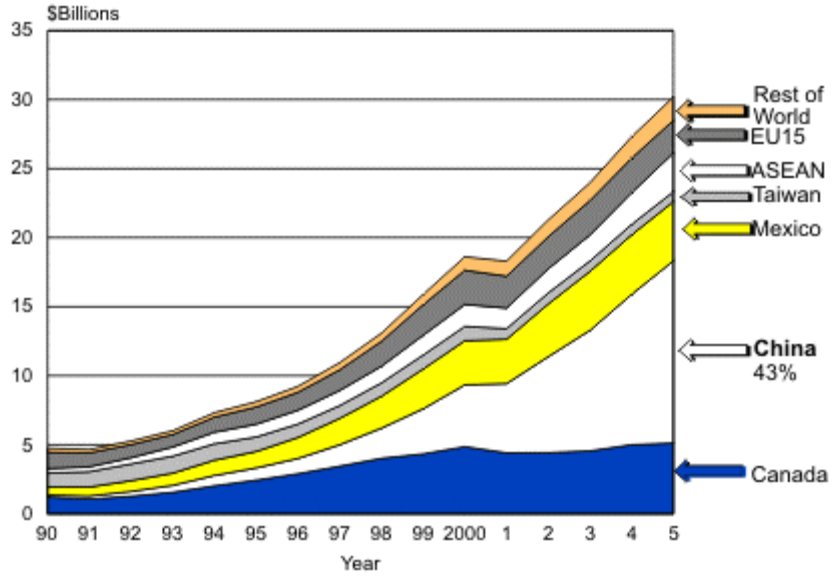
Source: U.S. Department of Commerce

Furniture

In U.S. imports of furniture and related parts, China has become a dominant supplier. The PRC accounted for over 43% of U.S. furniture imports in 2005. U.S. imports of furniture from China

now exceed the combined U.S. imports from Canada and Mexico, which were the leading foreign suppliers of furniture until the late 1990s. In 2004, the Bush Administration imposed anti-dumping penalties on approximately 500 furniture manufacturers in China.

Figure 15. U.S. Imports of Furniture and Parts (SITC 82) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 12. U.S. Imports of Furniture and Parts (SITC 82) from Selected Countries and Country Groups, 1990, 2001-2005(millions of dollars)

	1990	2001	2002	2003	2004	2005
China	145	5,017	6,954	8,742	10,905	13,179
Canada	1,209	4,411	4,423	4,551	5,007	5,126
Mexico	578	3,212	3,824	4,275	4,316	4,297
ASEAN	331	1,492	1,753	1,886	2,303	2,800
EU15	1,174	2,309	2,321	2,489	2,491	2,371
Taiwan	1,009	765	794	748	753	716
Japan	162	141	107	135	181	210
Korea	67	75	75	69	68	111
Hong Kong	29	98	90	109	97	82
Rest of World	299	1,081	1,219	1,289	1,557	1,691
World	5,003	18,601	21,560	24,293	27,678	30,583

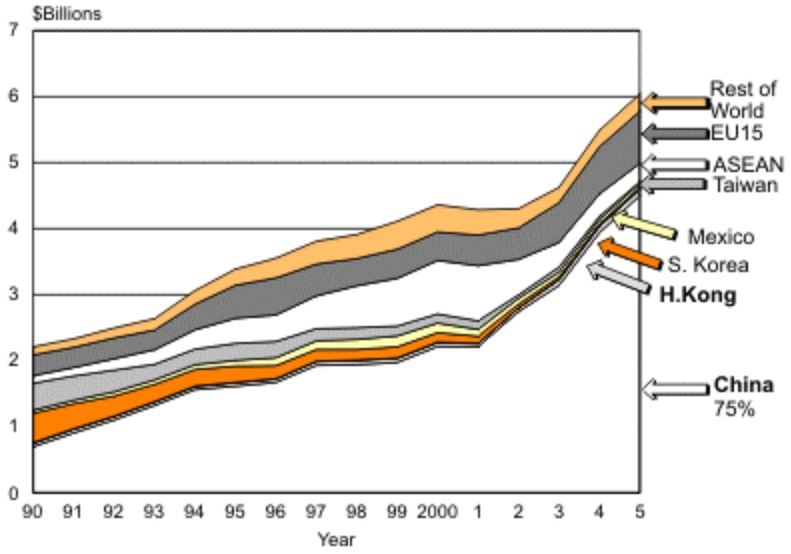
Source: U.S. Department of Commerce

Travel Goods and Handbags

China has become the principal supplier of imported travel goods, handbags, and similar items, accounting for nearly 75% of U.S. imports of such merchandise in 2005. The EU has become an

important supplier while China appears to have taken market shares from South Korea, Taiwan, and, more recently, ASEAN. This U.S. import category is ranked only 42nd in total customs value.

Figure 16. Imports of Travel Goods, Handbags, and Similar Products (SITC 83) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 13. U.S. Imports of Travel Goods, Handbags, (SITC 83) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

	1990	2001	2002	2003	2004	2005
China	692	2,211	2,741	3,136	3,936	4,504
EU15	270	463	476	602	715	790
ASEAN	114	836	538	372	340	275
Hong Kong	50	46	52	85	95	92
Mexico	46	104	87	69	63	54
Canada	17	39	35	37	35	36
Taiwan	406	129	52	79	47	32
Korea	446	106	56	39	31	21
Japan	9	7	7	8	12	12
Rest of World	121	384	292	233	248	262
World	2,171	4,325	4,336	4,660	5,522	6,078

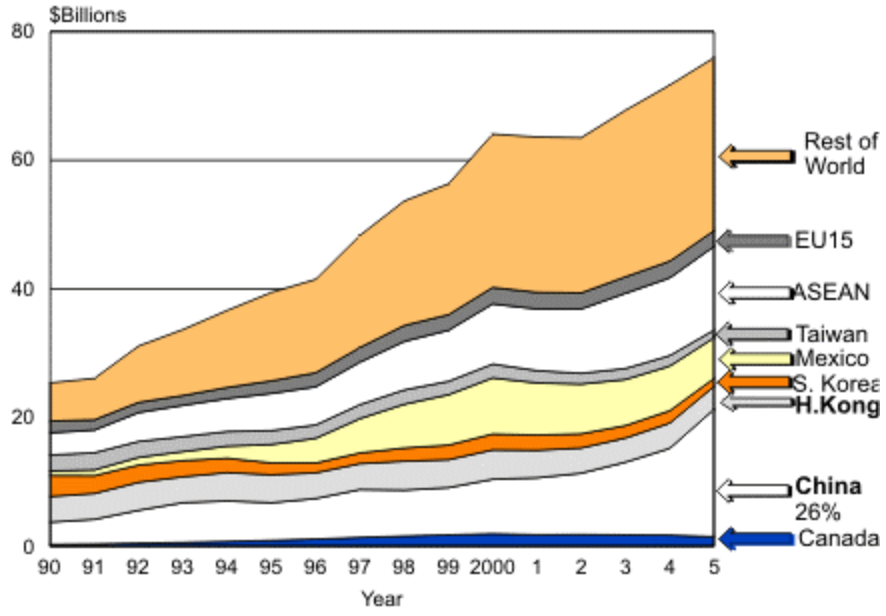
Source: U.S. Department of Commerce

Apparel and Clothing

U.S. imports of apparel and clothing accessories from China have been rising, reaching 26% of U.S. imports in 2005. According to some estimates, more than 80% of Chinese apparel exports

are produced by joint ventures, many of them involving East Asian investment.[37] Global quotas on imported textiles and apparel expired on January 1, 2005, pursuant to the Multi-Fiber Agreement, resulting in a surge in U.S. garment imports from China, which increased by 46% in 2005. Other nations with large gains in the U.S. apparel market were India (up 33%), Indonesia (20%) Bangladesh (20%), and Cambodia (20%). Although wages for low skill labor in China reportedly are rising relative to other developing countries, China's clothing manufacturers retain competitive advantages such as high labor productivity, "vertical integration"—the ability to produce all manufacturing inputs domestically—and developed infrastructure. In November 2005, the United States and the PRC signed a three-year agreement on textiles trade which imposes quotas on 21 types of Chinese textiles and clothing but which allows for a progressive increase in U.S. imports of apparel products from China through 2008.

Figure 17. U.S. Imports of Apparel and Clothing Accessories (SITC 84) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 14. U.S. Imports of Apparel and Clothing Accessories (SITC 84) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

	1990	2001	2002	2003	2004	2005
China	3,422	8,852	9,538	11,341	13,567	19,888
ASEAN	3,404	9,581	10,020	11,773	12,157	13,043
Mexico	709	8,127	7,731	7,199	6,943	6,321
Hong Kong	3,974	4,282	3,928	3,760	3,919	3,553
EU15	1,790	2,584	2,473	2,564	2,586	2,444
Canada	247	1,764	1,799	1,740	1,692	1,468

[37] Jiang Jingjin, "China Not the Only Beneficiary," *China Daily (China Business Weekly)*, April 5, 2004.

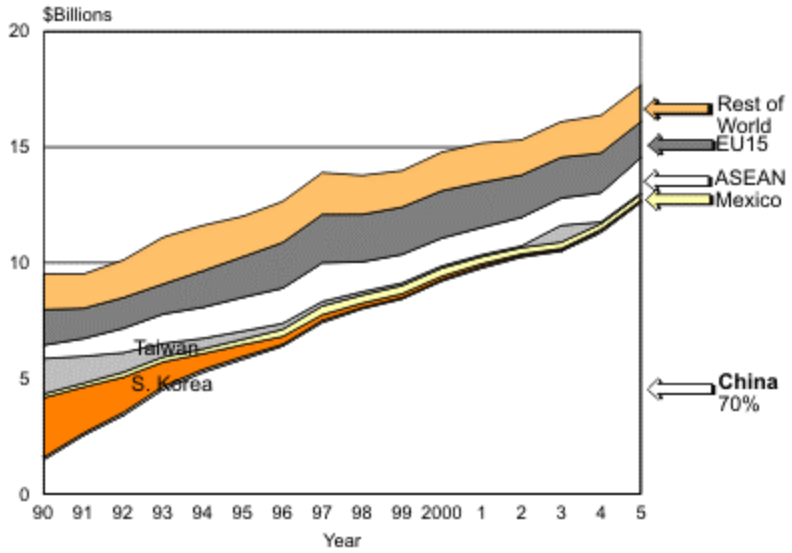
	1990	2001	2002	2003	2004	2005
Korea	3,244	2,354	2,206	1,925	1,936	1,253
Taiwan	2,475	1,907	1,664	1,690	1,626	1,203
Japan	158	170	205	252	325	121
Rest of World	5,891	24,168	24,150	25,907	27,438	26,983
World	25,314	63,789	63,714	68,060	72,189	76,277

Source: U.S. Department of Commerce

Footwear

U.S. imports of footwear from China surged during the 1990s. From $1.5 billion in 1990, they rose to over $10 billion in 2002 or two-thirds of all such imports. China has largely replaced South Korea and Taiwan as the main source of Asian-produced footwear in the United States. Other large suppliers are Italy, Brazil, and Vietnam.

Figure 18. U.S. Imports of Footwear (SITC 85) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 15. U.S. Imports of Footwear (SITC 85) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

	1990	2001	2002	2003	2004	2005
China	1,475	9,766	10,241	10,546	11,347	12,654
EU15	1,523	1,950	1,826	1,763	1,722	1,558
ASEAN	579	1,185	1,237	1,184	1,259	1,525
Mexico	165	311	278	275	242	247
Canada	53	78	67	64	76	93
Taiwan	1,528	75	73	73	80	69

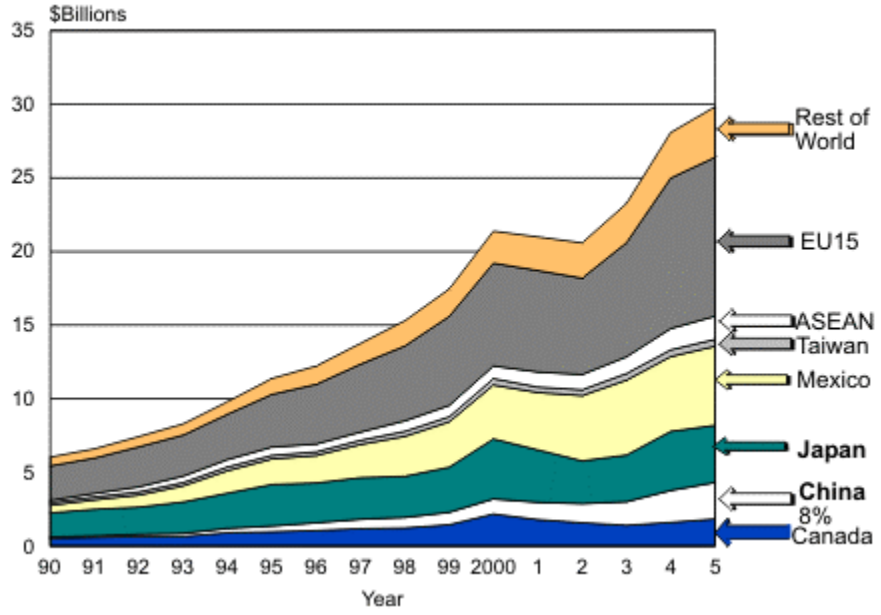
	1990	2001	2002	2003	2004	2005
Hong Kong	109	81	67	60	86	52
Korea	2,558	103	65	50	51	45
Japan	5	2	2	2	2	3
Rest of World	1,543	1,698	1,523	1,542	1,632	1,588
World	9,538	15,249	15,379	15,559	16,497	17,834

Source: U.S. Department of Commerce

Professional, Scientific, and Controlling Instruments

China is a minor supplier of U.S. imports of professional, scientific and controlling instruments, supplying 8% of U.S. imports in this category in 2005. Over two-thirds of such imports originate in the European Union, Mexico, and Japan.

Figure 19. U.S. Imports of Professional, Scientific, and Controlling Instruments (SITC 87) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 16. U.S. Imports of Professional, Scientific and Controlling Instruments and Apparatus (SITC 87) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

	1990	2001	2002	2003	2004	2005
EU15	2,310	6,887	6,543	7,744	10,225	10,802
Mexico	513	3,895	4,436	5,090	5,082	5,371
Japan	1,494	3,561	2,902	3,177	4,016	3,887
China	74	1,172	1,301	1,660	2,176	2,483

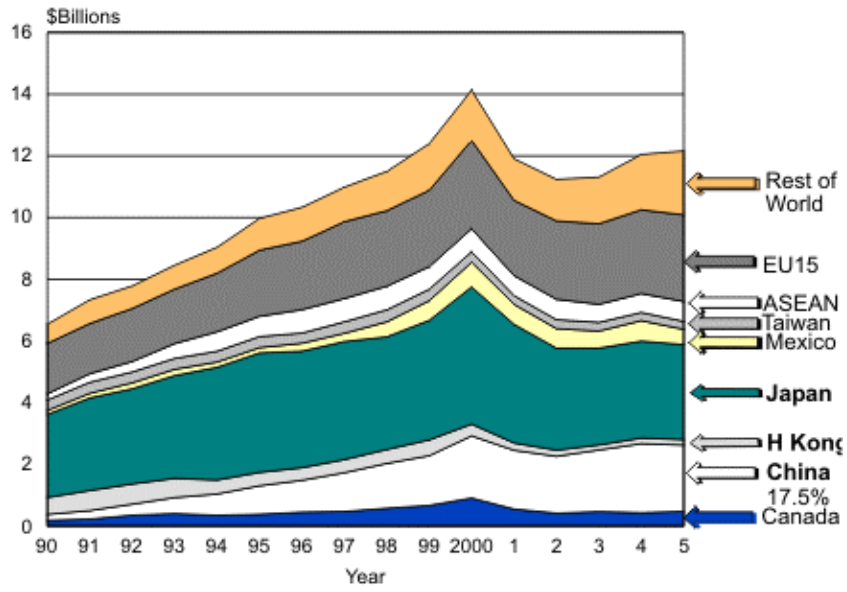
	1990	2001	2002	2003	2004	2005
Canada	527	1,793	1,575	1,406	1,611	1,833
ASEAN	152	1,027	1,037	1,139	1,448	1,571
Taiwan	176	372	393	450	458	472
Korea	89	152	156	153	177	230
Hong Kong	82	55	67	70	67	79
Rest of World	604	2,287	2,400	2,675	3,101	3,433
World	6,021	21,201	20,810	23,564	28,361	30,161

Source: U.S. Department of Commerce

Photographic and Optical Equipment and Timepieces

China is a rising supplier of photographic apparatus, equipment and supplies and optical goods as well as watches and clocks. In 2005, China accounted for 17.5% of U.S. imports of such products. Japan and the European Union still dominate U.S. imports. By country, the top three suppliers of such imports for the United States are Japan, China, and Switzerland.

Figure 20. U.S. Imports of Photographic Equipment, Optical Goods, Watches and Clocks (SITC 88) by Country and Group, 1990-2005



Source: U.S. Department of Commerce

Table 17. U.S. Imports of Photographic Apparatus, Equipment and Supplies and Optical Goods; Watches and Clocks (SITC 88) from Selected Countries and Country Groups, 1990, 2001-2005

(millions of dollars)

	1990	2001	2002	2003	2004	2005
Japan	2,668	3,848	3,309	3,138	3,140	3,082
EU15	1,619	2,439	2,535	2,612	2,716	2,807

	1990	2001	2002	2003	2004	2005
China	191	1,908	1,842	2,001	2,239	2,153
ASEAN	199	650	664	587	614	646
Mexico	128	648	634	555	665	494
Canada	180	545	414	461	428	469
Taiwan	334	282	288	280	265	258
Hong Kong	526	236	200	164	182	178
Korea	127	168	150	134	124	127
Rest of World	574	1,348	1,353	1,510	1,797	2,072
World	6,546	12,072	11,389	11,442	12,170	12,286

Source: U.S. Department of Commerce

Foreign Direct Investment in China

Fueling China's export boom is an unprecedented infusion of foreign capital in the manufacturing sector.[38] Foreign direct investment (FDI) is directed toward investments in companies in which the foreign investor has a controlling interest. It is primarily for physical plant and equipment and for the costs of establishing enterprises in China. It is not for portfolio investment on China's stock exchanges. In 2002, China overtook the United States as the world's largest recipient of foreign direct investment. In 2005, China remained in that position, despite a slight decrease from a year earlier, with $60 billion in utilized FDI. The United States is one of the largest sources of utilized FDI in China, investing $3.1 billion in 2005. (See **Table 18**.) China relies heavily upon investment from Hong Kong and other East Asian countries and regions. A significant amount of FDI from Hong Kong comes from Taiwan or from mainland Chinese companies via their subsidiaries in Hong Kong.[39] Annual or utilized FDI from Japan and South Korea surpassed that of the United States in 2003. In 2004, South Korea surpassed Japan to be the third largest source of FDI in China. The United States remains the second largest source of cumulative FDI after Hong Kong. China's WTO commitments include allowing more foreign investment in sectors such as telecommunications, energy, banking, and insurance.

Table 18. China's Utilized Foreign Direct Investment Inflows, Top Foreign Investors, 2000-2005

(billions of dollars)

Country or Region	2001	2002	2003	2004	2005
Hong Kong	16.7	17.8	17.7	18.9	17.1
Virgin Islands[40]	5.0	6.1	5.7	6.7	9.0
Japan	4.3	4.2	5.0	5.4	6.5

[38] For further discussion of China's economy and foreign investment, see CRS Report RL33534, *China's Economic Conditions*, by Wayne M. Morrison.

[39] Mainland subsidiaries in Hong Kong and Macao can take advantage of investment incentives for foreign companies on the PRC mainland.

[40] Many foreign firms, including U.S. companies, are registered in the Virgin Islands, Cayman Islands, and Western Samoa for tax purposes.

Country or Region	2001	2002	2003	2004	2005
South Korea	2.1	2.7	4.5	6.2	5.2
United States	4.4	5.4	4.2	3.9	3.1
Singapore	2.1	2.3	2.0	2	2.2
Taiwan	2.9	3.9	3.4	3.1	2.1
Germany	1.2	0.9	0.8	1	1.5
All Sources	46.9	52.7	53.5	64	60.3

Source: U.S. & Foreign Commercial Service and U.S. Department of State, "Doing Business in China: A Country Commercial Guide for U.S. Companies," 2006.

Appendix.

Table A-1. China's Merchandise Trade with the World, 1984-2005

(millions of dollars)

Year	China's Trade with the World (Chinese data)			World Trade with China (Partner Country Data)		
	China Exports	China Imports	China Balance	World Exports	World Imports	World Balance
1984	24,824	25,953	-1,129	24,640	26,904	-2,264
1985	27,329	42,534	-15,205	38,355	30,867	7,488
1986	31,367	43,247	-11,880	36,152	35,310	842
1987	39,464	43,222	-3,758	39,250	46,654	-7,404
1988	47,663	55,352	-7,689	51,794	59,748	-7,954
1989	52,916	59,131	-6,215	51,666	72,810	-21,144
1990	62,876	53,915	8,961	49,036	88,692	-39,656
1991	71,940	63,855	8,085	61,732	112,372	-50,640
1992	85,492	81,843	3,649	81,996	136,853	-54,857
1993	91,611	103,552	-11,941	108,406	156,896	-48,490
1994	120,822	115,629	5,193	120,634	191,663	-71,029
1995	148,892	132,063	16,829	145,897	233,614	-87,717
1996	151,093	138,949	12,144	156,200	254,440	-98,240
1997	182,917	142,163	40,754	165,230	286,540	-121,310
1998	183,744	140,385	43,359	152,890	289,620	-136,730
1999	194,932	165,717	29,215	162,650	322,080	-159,430
2000	249,212	225,097	24,115	212,060	398,060	-186,000
2001	266,200	243,600	22,600	221,450	413,280	-191,830
2002	325,642	295,302	30,339	270,930	483,610	-212,680
2003	438,472	413,095	25,377	422,590	601,920	-179,330
2004	593,647	560,811	32,831	527,370	794,480	-267,110
2005	762,326	660,221	102,105	647,690	989,880	-342,190

Sources: Chinese data: PRC General Administration of Customs and *Global Trade Atlas*. World Data: International Monetary Fund, *Direction of Trade Statistics Yearbook* and *Direction of Trade Statistics Quarterly*.

Note: Summation of data reported by 109 of China's trading partner countries in 1983 growing to 156 countries reporting in 2005.

Table A-2. U.S. Merchandise Trade with China and China's Merchandise Trade with the United States, 1984-2005

(millions of dollars)

Year	U.S. Trade with China (U.S. data)			China's Trade with U.S. (Chinese data)		
	U.S. Exports	U.S. Imports	U.S. Balance	China Exports	China Imports	China Balance
1984	3,004	3,381	-377	2,313	3,837	-1,524
1985	3,856	4,224	-368	2,336	5,199	-2,863
1986	3,106	5,241	-2,135	2,633	4,718	-2,085
1987	3,497	6,910	-3,413	3,030	4,836	-1,806
1988	5,017	9,261	-4,244	3,399	6,633	-3,234
1989	5,807	12,901	-7,094	4,414	7,864	-3,450
1990	4,807	16,296	-11,489	5,314	6,591	-1,277
1991	6,287	20,305	-14,018	6,198	8,010	-1,812
1992	7,470	27,413	-19,943	8,599	8,903	-304
1993	8,767	31,183	-22,416	16,976	10,633	6,343
1994	9,287	41,362	-32,075	21,421	13,977	7,444
1995	11,749	48,521	-36,772	24,744	16,123	8,621
1996	11,978	54,409	-42,431	26,731	16,179	10,552
1997	12,805	65,832	-53,027	32,744	16,290	16,454
1998	14,258	75,109	-60,851	38,001	16,997	21,004
1999	13,118	81,786	-68,668	41,946	19,480	22,466
2000	16,253	100,063	-83,810	52,104	22,363	29,741
2001	19,234	102,280	-83,046	54,300	26,200	28,100
2002	22,053	125,167	-103,115	69,959	27,227	42,731
2003	26,806	151,620	-123,960	92,510	33,882	58,628
2004	34,721	196,699	-161,978	124,973	44,652	80,321
2005	41,836	243,462	-201,626	162,938	48,734	114,204

Sources: U.S. data from U.S. Department of Commerce. Chinese data from PRC General Administration of Customs and *Global Trade Atlas*.

Table A-3. Japan's Merchandise Trade with China and China's Merchandise Trade with Japan, 1984-2005

(millions of dollars)

Year	Japan's Trade with China (Japanese Data)			China's Trade with Japan (Chinese Data)		
	Japan Exports	Japan Imports	Japan Balance	China Exports	China Imports	China Balance
1984	7,199	5,943	1,256	5,155	8,057	-2,902
1985	12,590	6,534	6,056	6,091	15,178	-9,087
1986	9,936	5,727	4,209	5,079	12,463	-7,384
1987	8,337	7,478	859	6,392	10,087	-3,695
1988	9,486	9,861	-375	8,046	11,062	-3,016
1989	8,477	11,083	-2,606	8,395	10,534	-2,139
1990	6,145	12,057	-5,912	9,210	7,656	1,554
1991	8,605	14,248	-5,643	10,252	10,032	220
1992	11,967	16,972	-5,005	11,699	13,686	-1,987
1993	17,353	20,651	-3,298	15,782	23,303	-7,521
1994	18,687	27,569	-8,882	21,490	26,319	-4,829
1995	21,934	35,922	-13,988	28,466	29,007	-541
1996	21,827	40,405	-18,578	30,888	29,190	1,698
1997	21,692	41,827	-20,135	31,820	28,990	2,830
1998	20,182	37,079	-16,897	29,718	28,307	1,411
1999	23,450	43,070	-19,620	32,400	33,768	-1,368
2000	30,440	55,340	-24,900	41,611	41,520	90
2001	30,941	57,795	-26,558	45,078	42,810	2,267
2002	40,001	61,882	-21,881	48,483	53,489	-5,006
2003	57,474	75,579	-18,105	59,453	74,204	-14,751
2004	73,971	94,446	-20,475	73,536	94,191	-20,655
2005	79,972	108,515	-28,543	84,097	100,467	-16,370

Sources: IMF, *Direction of Trade Statistics Quarterly; Global Trade Atlas*; PRC, General Administration of Customs.

Table A-4. European Merchandise Trade with China and China's Merchandise Trade with the European Union, 1984-2005

(millions of dollars)

Year	EU-15 Trade with China (EU data)			China's Trade with the EU-15 (Chinese Data)		
	EU Exports	EU Imports	EU Balance	China Exports	China Imports	China Balance
1984	2,929	2,639	290	2,232	3,323	-1,091
1985	5,484	2,971	2,513	2,283	6,157	-3,874

Year	EU-15 Trade with China (EU data)			China's Trade with the EU-15 (Chinese Data)		
	EU Exports	EU Imports	EU Balance	China Exports	China Imports	China Balance
1986	6,403	4,106	2,297	4,017	7,757	-3,740
1987	6,430	5,945	485	3,916	7,274	-3,358
1988	6,772	7,719	-947	4,746	8,176	-3,430
1989	7,360	9,877	-2,517	5,114	9,785	-4,671
1990	7,373	13,289	-5,916	6,275	9,147	-2,872
1991	7,719	18,160	-10,441	7,127	9,297	-2,170
1992	9,604	20,995	-11,391	8,004	10,863	-2,859
1993	14,301	23,730	-9,429	12,258	15,739	-3,481
1994	16,246	27,644	-11,398	15,418	18,604	-3,186
1995	19,327	32,333	-13,006	19,258	21,313	-2,055
-996	18,387	35,440	-17,053	19,868	19,883	-15
1997	18,054	42,172	-24,118	23,865	19,205	4,660
1998	19,298	47,005	-27,707	28,148	20,715	7,433
1999	20,326	52,573	-32,247	30,207	25,463	4,744
2000	23,063	64,022	-40,958	38,193	30,845	7,348
2001	26,620	67,634	-41,025	40,904	35,723	5,181
2002	32,208	77,495	-45,227	48,184	38,552	9,632
2003	44,217	108,562	-64,345	72,457	53,112	19,345
2004	57,773	147,111	-89,338	99,843	68,011	31,832
2005	61,894	183,734	-121,840	134,872	71,694	63,178

Sources: IMF. *Direction of Trade Statistics Yearbook and Direction of Trade Statistics Quarterly*; Global Trade Atlas; PRC. General Administration of Customs.

Note: From 1980-88, data are for the 12 nations of the European Economic Community and after 1988 for the 15 nations of the EU (addition of Austria, Finland, and Sweden).

Table A-5. Major Country Merchandise Exports to China, Imports from China, and Trade Balances with China, 2004 and 2005

(billions of dollars)

Partner	Trading Partner Data						Chinese Data					
	2004			2005			2004			2005		
	Exp	Imp	Bal	Exp	Imp	Bal	Exp	Imp	Bal	Exp	Imp	Bal
U.S.	34.7	196.6	-161.9	41.8	243.4	-201.6	44.6	124.9	-80.3	48.7	162.9	-114.2
Japan	73.9	94.4	-20.5	79.9	108.5	-28.5	94.2	73.5	20.7	100.4	84.1	16.3
EU-15	57.7	146.7	-89.0	61.9	183.7	-121.8	68.0	99.8	-31.8	71.7	134.8	-63.1
Hong Kong	114.2	118.0	-3.8	130.3	135.1	-4.8	11.8	101.0	-89.2	12.2	124.5	-112.3
Taiwan	44.9	16.7	28.2	51.8	19.9	31.9	64.7	13.5	51.2	74.6	16.7	57.9
S. Korea	54.9	29.2	25.7	69.8	38.6	31.2	62.0	27.8	34.2	76.8	35.1	41.7
Germany	26.0	38.4	-12.4	26.4	49.4	-23.0	30.0	23.7	6.3	30.6	32.5	-1.9
Singapore	15.4	16.2	-0.8	19.7	20.5	-0.8	14.0	12.6	1.4	16.5	16.7	-0.2
U.K.	4.3	19.1	-14.8	5.1	23.9	-18.8	4.7	14.9	-10.2	5.5	18.9	-13.4
France	6.7	14.5	-7.8	8.0	17.9	-9.9	7.6	9.9	-2.3	9.0	11.6	-2.6

Sources: IMF. *Direction of Trade Statistics Yearbook* and *Direction of Trade Statistics Quarterly*; *Global Trade Atlas*; Hong Kong Trade Development Council; Ministry of Economic Affairs, Board of Foreign Trade (Taiwan).

Table A-6. U.S. Merchandise Trade Balances with Selected Asian Developing Nations, 1984-2005

(millions of dollars)

Year	China	Indonesia	S. Korea	Malaysia	Philippines	Taiwan	Thailand
1984	-377	-4,674	-4,188	-9983	-913	-11,266	-381
1985	-373	-4,152	-4,992	-936	-959	-13,295	-804
1986	-2,135	-2,757	-7,588	-807	-805	-16,069	-1,018
1987	-3,422	-2,955	-10,326	-1,159	-898	-19,221	-904
1988	-4,237	-2,438	-10,578	-1,715	-1,069	-14,314	-1,739
1989	-7,094	-2,618	-7,115	-2,052	-1,102	-14,305	-2,343
1990	-11,488	-1,785	-4,888	-2,071	-1,151	-12,347	-2,597
1991	-14,018	-1,675	-2,224	-2,446	-1,439	-11,038	-2,693
1992	-19,943	-1,927	-2,732	-4,144	-1,870	-10,601	-3,944
1993	-24,927	-3,117	-3,003	-4,858	-1,646	-10,050	-5,214
1994	-32,076	-4,209	-2,346	-7,454	-2,137	-10,864	-5,938
1995	-36,772	-4,599	523	-9,162	-2,070	-10,863	-5,452
1996	-42,431	-4,778	3,286	-9,809	-2,372	-12,610	-4,587
1997	-53,026	-5,222	1,269	-7,695	-3,370	-13,331	-5,699
1998	-56,927	-7,042	-7,456	-10,043	-5,211	-14,960	-8,198
1999	-68,668	-7,575	-8,308	-12,349	-5,153	-16,077	-9,340
2000	-83,810	-7,839	-12,398	-14,573	-5,147	-16,134	-9,747
2001	-83,045	-7,605	-12,988	-12,956	-3,666	-15,239	-8,733
2002	-103,115	-7,062	-12,979	-13,661	-3,715	-13,805	-9,939
2003	-123,960	-6,999	-12,864	-14,517	-2,068	-14,111	-9,338
2004	-161,977	-8,142	-19,829	-17,288	-2,072	-12,866	-11,214
2005	-201,625	-8,971	-16,109	-23,252	-2,355	-12,788	-12,569

Source: U.S. Department of Commerce, International Trade Commission.

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